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ORGANIZATION OF AMERICAN STATES  FOOD  
AND AGRICULTURE ORGANIZATION OF THE NATIONS  MULTILATERAL ASSISTANCE FOR AGRICULTURAL DEVELOPMENT  
BANK  ASIAN DEVELOPMENT BANK  INTERNATIONAL MONETARY FUND  INTERAMERICAN DEVELOPMENT BANK

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## ABSTRACT

This publication surveys major multilateral agencies concerned with agricultural development in low-income countries. The survey covers objectives of the multilateral agencies, the types of programs they conduct, and their operational procedures. Included in the discussions are: the United Nations Development Program and the Food and Agriculture Organization; the World Bank and the major regional development banks; the Organization of American States and the international agricultural research centers. An account is given of the trends toward multilateral assistance for agriculture and some emerging issues as the international organizations put more of their resources into agricultural development projects.

**Keywords:** Agricultural development, Multilateral assistance, International organizations.

# **MULTILATERAL ASSISTANCE FOR AGRICULTURAL DEVELOPMENT**

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## FOREWORD

The increasing proportion of U.S. foreign economic and humanitarian assistance moving through international organizations and recent changes in the structure and operation of these organizations prompted this survey. It supersedes *Multilateral Assistance for Agricultural Development*, For. Econ. Dev. Rpt. No. 10, U.S. Dept. Agr., July 1971.

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## GLOSSARY OF ORGANIZATIONS

ECA .....	Economic Commission for Africa
ECAFE .....	Economic Commission for Asia and the Far East
ECE .....	Economic Commission for Europe
ECLA .....	Economic Commission for Latin America
ECOSOC .....	Economic and Social Council
EPTA .....	Expanded Program of Technical Assistance
FAO .....	Food and Agriculture Organization of the United Nations
FFHC .....	Freedom from Hunger Campaign
GATT .....	General Agreement on Tariffs and Trade
IAEA .....	International Atomic Energy Agency
IBRD .....	International Bank for Reconstruction and Development (also World Bank)
IDA .....	International Development Association
IFC .....	International Finance Corporation
IICA .....	Inter-American Institute of Agricultural Sciences
ILO .....	International Labor Organization
IMF .....	International Monetary Fund
OECD .....	Organization for Economic Cooperation and Development
UN .....	United Nations
UNCTAD .....	United Nations Conference on Trade and Development
UNDP .....	United Nations Development Program
UNDP-GC .....	UNDP Governing Council
UNESCO .....	United Nations Educational, Scientific and Cultural Organization
UNICEF .....	United Nations Children's Fund
UNIDO .....	United Nations Organization for Industrial Development
UNSF .....	United Nations Special Fund
WHO .....	World Health Organization
WFP .....	World Food Program

## CONTENTS

	<i>Page</i>
SUMMARY .....	vi
<b>INTRODUCTION .....</b>	<b>1</b>
International Organizations and Agricultural Development .....	2
Trends in Multilateral Assistance .....	2
U.S. Contributions to Multilateral Assistance Organizations .....	4
<b>FOOD AND AGRICULTURE ORGANIZATION .....</b>	<b>9</b>
Background .....	9
Organization and Operations .....	9
Technical Assistance .....	16
Training .....	20
<b>UNITED NATIONS DEVELOPMENT PROGRAM .....</b>	<b>22</b>
Background .....	22
Organization and Operations .....	23
Development Assistance .....	25
UN Volunteers .....	26
<b>COOPERATIVE AGRICULTURAL DEVELOPMENT PROGRAMS ..</b>	<b>28</b>
The FAO/UN World Food Program .....	28
The IBRD/FAO Cooperative Program .....	30
Other Cooperative Programs .....	32
<b>THE WORLD BANK GROUP .....</b>	<b>34</b>
Background .....	34
Organization and Operations .....	34
Development Assistance in Agriculture .....	38
Technical Assistance and Project Preparation .....	42
Training .....	43
Agricultural Economics Research Activities .....	44
<b>INTERNATIONAL AGRICULTURAL RESEARCH INSTITUTIONS ..</b>	<b>46</b>
Background .....	46
The Consultative Group on International Agricultural Research .....	46
Programs of the Research Institutions .....	48

	Page
<b>INTER-AMERICAN DEVELOPMENT BANK . . . . .</b>	<b>53</b>
Background . . . . .	53
Organization and Operations . . . . .	53
Development Assistance in Agriculture . . . . .	56
Technical Assistance . . . . .	58
Training . . . . .	59
<b>ASIAN DEVELOPMENT BANK . . . . .</b>	<b>61</b>
Background . . . . .	61
Organization and Operations . . . . .	61
Development Assistance in Agriculture . . . . .	63
<b>THE AFRICAN DEVELOPMENT BANK . . . . .</b>	<b>67</b>
Background . . . . .	67
Organization and Operations . . . . .	68
Development Assistance in Agriculture . . . . .	69
<b>ORGANIZATION OF AMERICAN STATES . . . . .</b>	<b>70</b>
Background . . . . .	70
Agricultural Programs in the Department of General Development Affairs and Studies . . . . .	70
Agricultural Programs in the Department of Social and Institutional Development . . . . .	72
Agricultural Programs in the Department of Scientific Affairs . . . . .	72
Agricultural Programs in the Office of Regional Development . . . . .	73
<b>EMERGENT ISSUES AND INSTITUTIONAL ARRANGEMENTS . . . . .</b>	<b>74</b>
Goals and Targets—the UN's Second Development Decade . . . . .	74
Trade and Development—UNCTAD . . . . .	75
Agricultural Commercialization and Rural Development . . . . .	78
World Agriculture, Population Growth, and the Environment . . . . .	79
Program Coordination and Donor Cooperation . . . . .	83
<b>LITERATURE CITED . . . . .</b>	<b>86</b>

## SUMMARY

Assistance to improve the agriculture of less developed countries (LDC's) is being increasingly channeled through international multilateral assistance organizations. In the last decade, agricultural activities of the major multilateral agencies—the World Bank, the United Nations Food and Agriculture Organization, and the Inter-American Development Bank—have soared. Together, these three organizations increased their investment in agricultural projects from less than \$200 million a year, on the average, in 1961-1964, to over \$600 million a year in 1970-72. U.S. official development assistance directed through multilateral organizations more than doubled during 1970-72, compared with 1964-68.

Agricultural projects undertaken by the multilateral assistance agencies have also become more diversified. Increasing crop production dominated their technical and capital assistance efforts during most of the past decade. For IBRD and IDB, major emphasis was on projects to improve water supplies and to permit purchase of needed production inputs. In more recent years these two banks have emphasized livestock as well as crops. For FAO, diversification has taken the form of adding more projects in forestry and fisheries to the predominantly agricultural projects for which it provided technical assistance and training. In the last 2 or 3 years, there has been further diversification. IBRD has given support to international agricultural research institutions and has begun a program of socioeconomic research concerning such problems as rural employment and development, protein shortages, and population pressures. For FAO, a major concern in recent years has been trade problems of developing countries and the interface between trade policies and development. The international banks and technical assistance agencies, including FAO and OAS, have put increased efforts into country programming and sector analysis.

Important issues have arisen in connection with the increased role of international organizations in worldwide agricultural development:

(1) **The UN's second development decade goals.** The UN's targets of increased agricultural production in less developed countries and of increased exports of commodities to the more developed countries as well as its call for a level of aid in keeping with the growth of GNP in donor countries are particularly pertinent. At issue is the level of assistance of the United States and other donor countries and their import policies affecting commodities from the LDC's. The issue is most pointedly expressed in the forums of UNCTAD.

(2) **Agricultural commercialization and rural development.** The goal of greater commercialization often depends on the productive capability of larger agricultural enterprises with their potential for profits; rural development more often focuses on smaller farmers and landless rural workers and is

concerned with their earnings and the equity of the emergent commercial agricultural systems in the LDC's. The multilateral agencies and the countries concerned face issues of resource allocation and development strategy in seeking to benefit the different agricultural groups.

(3) **World agriculture, population growth, and the environment.** The race between food supplies and growing populations in the low-income countries continues its uncertain course. At the same time, efforts to widen the use of high-yield technology (as well as to increase industrialization in both developed and underdeveloped countries) have given rise to a new fear of upsetting ecological balances and fouling the environment for all life on earth. The issues raised are those of pursuing policies for agricultural growth and of tailoring them to environmental considerations.

(4) **Program coordination and donor cooperation.** The multilateral organizations (and the major bilateral agencies also) are increasingly concerned with effective coordination of their efforts and appropriate external support of country development programs. Difficulties are compounded by the absence of a central authority for such coordination. At the same time, some low-income countries fear that centralized coordination among external aid agencies may limit their voice in development aid policies, their alternatives among financial institutions, and the terms they might secure for assistance.



## INTRODUCTION

This is a survey of assistance provided by international organizations to improve the agriculture of less developed countries (LDC's). Such a review is timely. Seven major reports and commissions on development assistance in the past 3 years have called for a significant increase in multilateral development assistance (*20, 27, 31, 34*).<sup>1</sup>

In his foreign policy statement for the 1970's, President Nixon told the Congress that "multilateral institutions must play an increasing role in the provisions of aid." Again, in his foreign aid message to Congress in September 1971, the President said, "International institutions can and should play a major creative role in the funding of development assistance and in providing a policy framework through which aid is provided . . . I have full confidence that these international institutions have the capability to carry out their expanding responsibilities."

At the same time, assistance to the agricultural sector has a high priority among donor agencies: agriculture is the one sector in which multilateral assistance is actually greater than bilateral assistance (*25, 1969*). The World Bank President has declared, "In the developing world, agriculture is the indispensable foundation of a healthy economy."<sup>2</sup> The "Green Revolution" has inspired new optimism about prospects in developing countries and provided new opportunities for investments in agriculture. International organizations are increasing their technical assistance and training efforts as well as their loans for agriculture.

But growth in food production, while allaying some anxieties, has given rise to many new problems which are receiving the attention of international organizations. Among these is the need for developing countries to acquire the capability to formulate policies and administer programs associated with a more sophisticated agricultural technology and the "second generation" problems which have arisen. Rural unemployment and underemployment arising, in part, from inappropriate mechanization is of increasing concern. Concern has risen too about the plight of landless farmers and those for whom high-yield technology has not been available. Some LDC's, enjoying increased output of agricultural commodities, have called for changes in trade policies to facilitate their exports to the industrial nations. Hence, the multilateral organizations have been examining a wider range of agricultural problems than those of increasing production.

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<sup>1</sup> Italicized numbers in parentheses refer to items in the Literature Cited, p. 86.

<sup>2</sup> McNamara, Robert. Address to the Board of Governors, IBRD, Sept. 29, 1969.

## International Organizations and Agricultural Development

Many international organizations are involved in providing assistance for the development of agriculture in low-income countries. Most of these are autonomous organizations associated with the United Nations system (see fig. 1). These include the Food and Agriculture Organization (FAO), the organization primarily concerned with the world's agriculture, and the United Nations Development Program (UNDP), which provides some coordination and considerable funding for development activities carried out by FAO and other organizations. The International Bank for Reconstruction and Development (IBRD, also "World Bank"), its affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC), are part of the UN family. Most of the international organizations providing economic aid and affiliated with the UN are linked to it through the United Nations Economic and Social Council (ECOSOC). The ECOSOC itself participates in development activities, especially through its Economic Commissions for Asia and the Far East (ECAFE), Africa (ECA), Europe (ECE), and Latin America (ECLA). This report also discusses the United Nations Trade and Development Conference (UNCTAD), an agency which deals among other things with the international market side of agricultural development.

This report does not include accounts of other organizations which are concerned less directly with agricultural development, such as the World Health Organization (WHO), International Labor Office (ILO), United Nations Children's Fund (UNICEF), the United Nations Educational, Scientific, and Cultural Organization (UNESCO), nor with the regional economic commissions.

Not affiliated with the United Nations are the Inter-American Development Bank (IDB) and the Asian Development Bank (ADB). The African Development Bank, although founded under UN sponsorship, operates apart from the UN system. In Latin America, the Organization of American States (OAS) aids the development of agriculture in member states by technical assistance and training activities, directly and through its agricultural arm, the Inter-American Institute for Agricultural Sciences (IICA). The agricultural activities of these agencies are included in this report.

### Trends in Multilateral Assistance

Over the past 12 years multinational aid on the part of the major donor countries has formed a "V" curve. Using official development flows, the trend has been from about 12 percent in 1960 and 1961, down to 6 percent and less in 1963-66, and back up to about 10 percent in 1967-68 (table 1). In 1970 and 1971 the upward trend in multilateral contributions was accelerated; the donor countries contributed more than 16 percent of their total official assistance through multilateral institutions.

# THE UNITED NATIONS FAMILY

## (A PARTIAL LISTING OF ORGANIZATIONS AND AGENCIES)

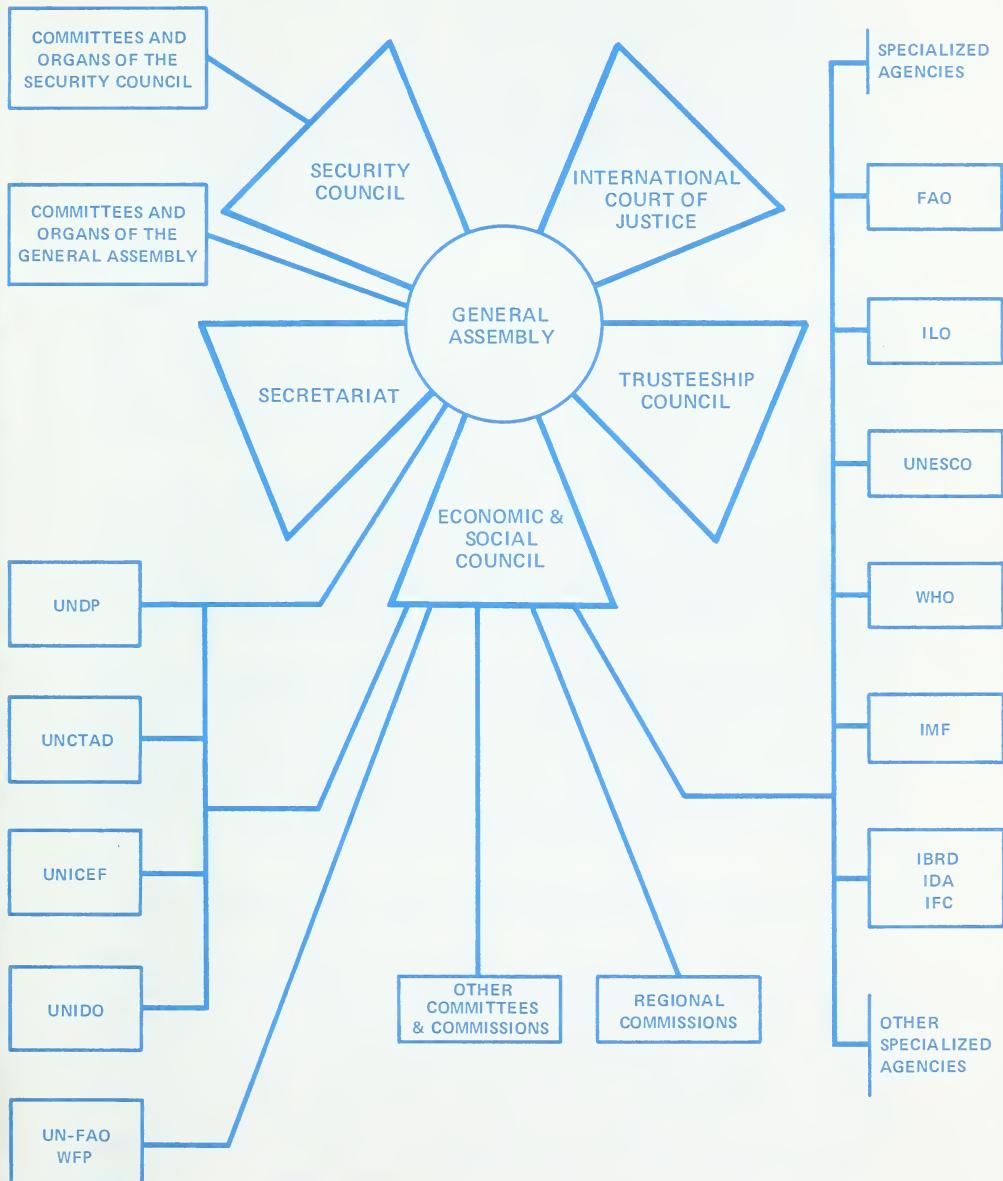


Figure 1

**Table 1—Contributions to international organizations as a percentage of total official aid of DAC countries, 1960-71<sup>1</sup>**

Year	Percentage	Year	Percentage
1960	12.1	1966	5.2
1961	12.2	1967	10.1
1962	8.7	1968	9.5
1963	6.1	1969	15.8
1964	6.5	1970	16.5
1965	5.8	1971	16.7

<sup>1</sup>Development Assistance Committee (DAC) member countries include: Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, Switzerland, United Kingdom, and the United States.

Source: *Development Assistance Review*, 1971, p. 35, and 1972, pp. 42 and 45, OECD, Paris.

Within the multilateral organizations, emphasis is being placed on agriculture. UNDP, IBRD, and IDB have allocated increased funds for agricultural projects during the 1960's. As shown in table 2 and figure 2, agricultural allocations by the three principal multilateral aid organizations grew from less than \$200 million a year in 1961-64 to a high of \$723 million in 1970, and an average of over \$600 million in 1969-72.

Multilateral aid organizations are also directing increased attention to problems of the least developed among the LDC's and of the poorest sectors of the population within the low-income countries. Existing programs are being reexamined and a search is underway for new programs to reach these groups which, thus far, have participated little in the "development decade of the '60's."

Multilateral organizations have tended to broaden the scope of their programs to make them more effective. Thus the international lending institutions such as the World Bank and the Inter-American Development Bank have included more technical assistance in their operations. FAO, in the agricultural, fisheries, and forestry fields, has sought links with financial institutions to provide capital assistance components for some of its projects.

### **U.S. Contributions to Multilateral Assistance Organizations**

Most developed countries, after a decline in support for multilateral aid during the middle 1960's, have significantly increased their contributions (table 3). U.S. disbursements to international organizations in 1970 and again in 1971 were twice the annual level during 1966-68. Most of the countries associated in OECD/DAC continued their contributions toward multilateral organizations in 1971 at about the same levels as in 1970 (26, pp. 48-50).

The principal multinational organizations to which the United States has contributed are the United Nations, the specialized agencies, and the inter-

## *Funding of Agricultural Projects by Multilateral Assistance Agencies*

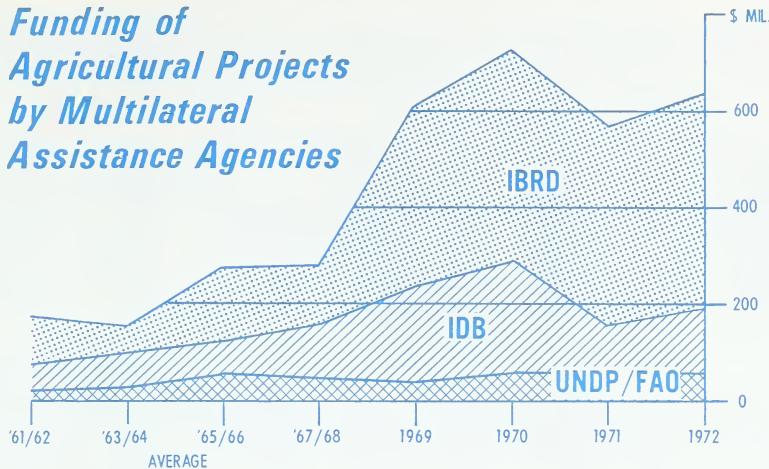


Figure 2

Table 2—Trends in funding of agricultural projects by multilateral assistance organizations, averages 1961-68, annual 1969-72

Organization	1961-62	1963-64	1965-66	1967-68	1969	1970	1971	1972
<i>Million dollars</i>								
IBRD	107.0	52.0	159.0	130.0	369.3	426.4	419.2	441.3
IDB	57.2	70.2	70.8	110.0	201.5	237.1	93.2	130.0
UNDP/FAO <sup>1</sup>	18.2	30.0	56.3	48.8	46.6	60.0	64.0	<sup>2</sup> 65.0
Total	182.4	152.2	281.1	288.8	617.4	723.5	576.5	<sup>2</sup> 636.3

<sup>1</sup>UNDP funds allocated to FAO.

<sup>2</sup>Preliminary figures.

Source: Annual reports of IBRD, IDB, and FAO.

**Table 3—Percentage of total official development assistance directed to multilateral organizations, by country, 1966-68 and 1970**

Country	1966-68	1970	Country	1966-68	1970
Norway	59.4	60.0	Belgium	14.7	22.9
Sweden	52.8	46.1	Germany	13.5	22.2
Denmark	48.6	36.7	Japan	13.1	18.9
Netherlands	30.6	21.3	United Kingdom	10.6	10.6
Switzerland	29.4	40.1	Australia	8.7	6.3
Italy	24.7	57.4	United States	6.4	12.9
Austria	23.0	33.5	France	4.5	10.8
Canada	19.6	22.7			

Sources: Data for 1966-68 from *Partners in Development*, Report of the World Bank Commission on International Development, Praeger Publishers, New York, Sept. 1969, p. 391; 1970 from *Development Assistance Review*, OECD, 1971, p. 36.

national development banks. Most of the U.S. contributions have been in amounts and at times determined in concert with other member countries. In large measure contributions are related to the relative "ability to pay" among the countries. The United States has also made voluntary contributions to the international finance institutions; but most of the support has been through capital subscriptions, including provision of callable capital resources.

The U.S. approach in contributing to multinational aid organizations has been characterized by several considerations: First, the United States has moved to have more of its overall economic and humanitarian assistance channeled through the international institutions; second, it has sought to strengthen the administrative and operational effectiveness of these organizations so that the United States and the recipient countries get full value for the money expended; third, the United States has sought to have its contributions make up a smaller part of the total development programs of the international organizations by encouraging other developed countries to carry a larger share of the effort.

Table 4 indicates the trend of U.S. bilateral and multilateral assistance for the 12-year period, fiscal 1962-73. In multilateral assistance the portions of the AID and P.L. 480 funds indicated are included, as well as actual appropriations for operations of the international development banks. Included also are appropriations for capital subscriptions and for the banks' special fund operations. Also included are appropriations for regular operations of organizations such as FAO and UNESCO and agencies of the United Nations such as UNCTAD and UNICEF. Two-year averages are used in the table to reduce chance year-to-year fluctuations. The increase in voluntary contributions to international organizations indicated for 1972-73 is largely because of the Bangladesh relief program in 1972.

Table 4—Trends in U.S. appropriations for bilateral and multilateral assistance programs, 2-year averages, fiscal 1962-73<sup>1</sup>

Assistance programs	1962-3	1964-5	1966-7	1968-9	1970-1	1972-3
<i>Million dollars</i>						
<b>Bilateral assistance:</b>						
U.S. AID (Economic, humanitarian, and support assistance)	2,226.1	1,985.0	1,953.0	1,726.0	1,539.8	1,580.7
P.L. 480 food aid	1,472.1	2,239.7	1,790.5	1,259.0	1,054.8	<sup>5</sup> 1,085.8
Peace Corps	42.1	80.8	108.9	103.5	90.4	76.5
Total	3,740.3	4,305.5	3,852.4	3,088.5	2,685.0	2,743.0
<b>Multilateral assistance:</b>						
Asian Development Bank	—	—	70.1	10.5	20.0	—
Inter-Am. Dev.Bank <sup>2</sup>	85.0	318.5	352.9	402.9	390.5	315.1
World Bank <sup>3</sup>	61.7	61.7	104.0	132.0	160.0	221.5
UN and UN agencies <sup>4</sup>	45.5	60.7	72.6	87.4	101.4	121.9
Regional organizations	15.4	23.3	27.5	29.1	36.6	47.3
Special vol. programs	215.8	194.4	224.6	189.3	229.3	<sup>5</sup> 303.3
Total	423.4	658.6	851.7	851.2	937.8	1,009.1
Total foreign assistance:	4,163.7	4,964.1	4,704.1	3,839.7	3,622.8	3,752.1
<i>Percent</i>						
Multilateral as percentage of total	10.2	13.3	18.1	20.1	25.9	26.9

<sup>1</sup> Figures for fiscal years 1962-71 are from a report of the Secretary of State to the Congress on U.S. contributions to international organizations, 1972, and from annual reports of the international banks. Figures for fiscal 1972 are based on the Foreign Assistance Appropriation Act for the fiscal year ending June 30, 1972, and enacted by the Congress March 8, 1972; and for fiscal 1973, the continuing resolution passed by both Houses of Congress on October 26, 1972, and March 8, 1973.

<sup>2</sup> The IDB operates on a calendar year basis but the figures used here are fiscal year appropriations during the respective calendar year; fiscal 1973 figures include \$225 million for replenishment of the FSO and \$193.4 million of ordinary capital.

<sup>3</sup> The World Bank figures for 1962-71 are for replenishments of IDA; for 1972-73, a portion is also for ordinary capital; prior to 1962, when the World Bank was established, the United States subscribed \$320 million in ordinary capital and \$312 million in "callable" capital.

<sup>4</sup> Figures for the UN agency group are for assessed budgets for the regular operations of the UN and its associated organizations; the regional organizations include those of the inter-American system; the special voluntary programs include contributions for the UNDP, WFP, WHO, and also the multilateral refugee programs.

<sup>5</sup> Special voluntary contributions and P.L. 480 food aid show a substantial increase for the years 1972-73, owing to the Bangladesh relief programs.

Over the years the United States has sought to increase the proportion of assistance provided by other advanced countries, thus reducing the U.S. share and improving overall burden sharing. The U.S. contribution to FAO was 25 percent when the organization was first established in 1945; it rose to 32.5 percent in 1958-61, dropped to 31.5 percent during 1972-73, and is now projected to return to 25 percent beginning with the next biennial assessment. The U.S. contribution to the UNDP in 1972 was about 30 percent of total contributions, down from almost 40 percent in previous years. The pattern of U.S. subscriptions to international finance institutions is indicated in table 5.

Within the executive branch of the Government, the State Department has overall responsibility for U.S. relations with multilateral organizations. Liaison with the international finance institutions such as IBRD and IDB is delegated to the Treasury Department; and for FAO, the Department of Agriculture coordinates participation. Each of the two Departments has an Assistant Secretary concerned with international affairs who provides leadership within the Departments for the liaison work. The Treasury Department operates through an interagency committee, the National Advisory Council, which includes representatives of State, AID, Commerce, and Agriculture, as well as other agencies having an interest in international economic affairs. The USDA works through an interagency committee which has representatives from State, AID, Commerce, Interior, and agencies of other Departments concerned with international agriculture, fisheries, and forestry. The two advisory committees and the agencies represented are responsible for formulating U.S. policy on programs and operations of the multilateral agencies.

**Table 5—U.S. share to total funding of selected international financial organizations, 1960-70**

Organization	1960	1965	1968	1970
<i>Percent</i>				
IBRD	32.9	29.3	27.7	27.4
IBRD/IDA	43.1	41.6	40.0	39.5
IDB	43.0	43.0	42.8	42.5
IDB/SFO	91.4	83.3	75.0	66.7
ASDB	—	—	20.6	19.9

Source: Hearings, Subcommittee of the Committee on Appropriations, Foreign Assistance and Related Programs, 92nd Cong., 1st Sess., fiscal 1972, pp. 116-118.

## FOOD AND AGRICULTURE ORGANIZATION

### Background

The groundwork for the establishment of the Food and Agriculture Organization of the United Nations was laid at a 44-nation meeting held May 18-June 3, 1943. The first FAO conference was held in Quebec, October 16-November 1, 1945; permanent headquarters were established in Rome in 1951. FAO's purpose is to raise the level of nutrition and to improve the production and distribution of food and agricultural products for all the peoples of the world. FAO is also concerned with bettering the conditions of rural populations and thus contributing toward raising standards of living and improving the economies of member countries.

In serving the needs of its member nations, FAO has become the largest single multilateral or bilateral organization providing agricultural technical assistance to developing countries. FAO focuses on all sectors of agriculture, including forestry, fisheries, crops, and livestock. It maintains working contacts with the other major international organizations concerned with agricultural development.

Membership in FAO has grown steadily since its founding with some 42 member nations. By the end of 1971, 125 nations had joined the Organization. Three additional countries have made applications which will be acted upon by the FAO Conference late in 1973.

FAO funding comes from several sources: contributions from its 125 member countries; UNDP; the Freedom from Hunger Campaign (FFHC); and UNICEF. In addition, some FAO programs are financed by funds-in-trust arrangements with recipient countries, some by the international and regional banks under special agreement, and some under special programs financed by developed countries.

### Organization and Operations (9, 28)

The supreme governing body of FAO is the Conference, which holds regular sessions biennially. Each member government may send one delegate to the Conference and each has one vote. Delegates are accompanied by alternates, associates, and advisers as determined by each government. The Conference acts on applications for membership in FAO, decides on the budget level and the scale of member contributions, and reviews and approves the Organization's program of work. The Conference also elects member countries to the Council, which meets between Conferences and serves as a second-level governing body. The United States has been a member of the Council since its establishment (at present 34 countries are members). Regional conferences are convened in each of the FAO regions every second

year to provide forums for discussing problems and to provide guidance for the Conference authority.

Much of the substantive and detailed work of the Council and the Conference is carried out by committees. There are standing committees dealing with program, finance, constitutional and legal issues, commodities, agriculture, forestry, and fisheries matters. Other committees are designated to work on *ad hoc* problems such as the one for FAO/UNICEF activities. The Committee on Commodity Problems has a number of subgroups, known as inter-governmental groups, which provide forums for dealing with individual commodity matters.

FAO's scope of activities and funding levels have grown rapidly since its founding. While the regular program for the benefit of all members has grown substantially, the greatest increase has been in field activities for the benefit of developing countries. This reflects both the enlarged membership of FAO, mostly from among the less developed countries, and rising concern over the problems of providing enough food for the rapidly growing populations of these countries. Among the important areas of activity in which FAO has moved in recent years are: expanded programs in forestry and fisheries; problems of human nutrition; a worldwide food aid program in cooperation with the United Nations (see pp. 28-30); a cooperative program with the World Bank (see pp. 30-32). New emphasis has been given to country programming and policy development. Projections to 1980 of the world food and agricultural situation have been undertaken. Special emphasis is now being given to country perspective studies aimed at providing better bases for national planning.

FAO's organizational structure reflects its varied missions and activities. (See fig. 3 for proposed 1974-75 organization.) Changes have been made in the Economic and Social Department recently to strengthen FAO's capability in program policy development. Other recent changes in organization include some redeployment of FAO resources to strengthen rural development work, particularly agrarian reform, to broaden food and nutrition programs under the division responsible for that work, and to make project evaluation activities more useful by transferring them to the Development Department. (This location is intended to provide more effective feedback from evaluation efforts to improve the appraisal of project requests and to enable FAO to provide some assistance to countries in the formulation of projects (16).) Closer coordination with the UNDP programs in field operations has been accomplished by a joint arrangement between FAO and the UNDP concerning the work of country representatives. The arrangement is currently under review as planned when the joint effort was initiated.

## Funding of FAO Work

FAO receives funds for its operations from several sources in addition to the assessments paid by member countries. About one-third of UNDP funds

go to support a major portion of FAO's field activities. FAO spends about \$100 million on technical assistance each year, or about three-fourths of all funds available to it (14). In late 1972, the FAO staff numbered some 6,300. Of the 3,600 in professional positions, about 2,270 were on field assignments.

**The UN Development Program:** The UNDP has become a principal source of FAO technical assistance funds. Originally designed to provide additional project support to supplement the shorter term projects of the Expanded Program of Technical Assistance (now merged with UNDP), its chief purpose today is to identify projects for useful capital investment. To fulfill this mission, UNDP provides funds to FAO to conduct surveys of natural resources, develop applied research institutes, and organize training programs. Of the UNDP funds utilized by FAO, about one-half are spent on sending experts to the field, one-fourth on equipment, and the remainder on fellowships, contractual services, and other costs (10, p. 34). Recipient countries finance over half the project costs, with contributions usually made in terms of supplies, equipment, and local services. (See further discussion on UNDP on pp. 22-26).

The UNDP program of providing technical assistance has continued to grow steadily. In the past few years, the nature of technical assistance projects has been changing. FAO reports that developing countries are becoming impatient with long-range programs in which the results are not visible for years. Hence, requests for short missions on specific problems are increasing. Countries are requesting more operational experts and advisory personnel to compensate for a severe shortage of qualified local experts and staff. Close coordination among UNDP, IBRD, and FAO has developed, especially in the identification of projects.

The magnitude of FAO's activities is shown in table 6:

**Table 6—FAO activities and responsibilities assigned, by region,  
May 1972**

Item	Unit	Africa	Latin America	Asia and Far East		Near East	Europe	Total
				Far East	Near East			
Senior agricultural advisers/FAO country representatives	No.	17	13	10	14	1	55	
Indicative planning figures <sup>1</sup>	Mil. dol.	420	335	333	272	92	1,452	
Ongoing projects	No.	590	380	390	300	120	1,780	
Allocation of external funds	Mil dol.	130	97	87	108	28	450	

<sup>1</sup>Projected assistance from UNDP/FAO for 1972-76.

**Bilateral Aid Through FAO:** Countries may channel aid through FAO on a selective basis through the FAO/Government Cooperative Program. Each year FAO submits a list of potential projects to participating donor countries. From this list, a country may select the projects which seem to be most suitable to its interests and budget. A program is then developed with financing and timing of projects meeting specific needs of the donor country. Once the program is set, FAO prepares the projects on the field level.

When projects are large or special problems exist, a preparatory field mission may be conducted with at least one representative from the donor country. The draft plan of operation is submitted to both the donor and recipient country before the project begins.

Some 134 projects of this kind are either in operation or scheduled to begin. Most are training programs, conducted both in the donor countries and in the field. Other projects provide technical assistance through consultants or operational personnel. Such assistance may be given for ongoing projects or preparatory missions. Some projects include the provision of equipment and supplies, construction, preparation of training publications and textbooks, and the financing of revolving funds for agriculture or fisheries development (*II*).

Project costs have ranged from \$2,000 to \$2 million. FAO estimates that the total value of approved projects by late 1972 was over \$20 million, and increasing from year to year.

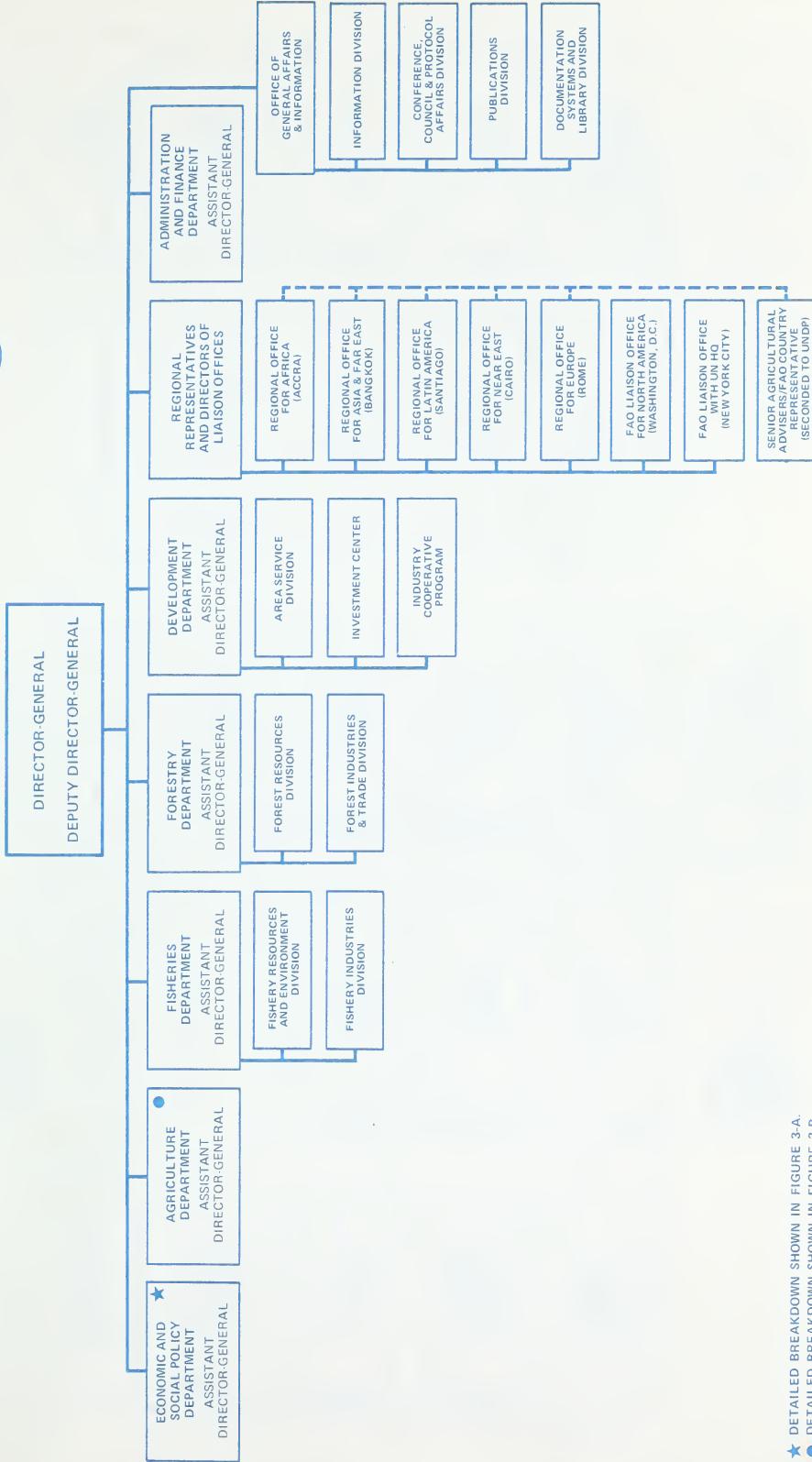
### Areas of Emphasis

For the 1972-73 biennium, FAO has brought its wide-ranging activities into focus on six major program areas. In conjunction with FAO's Indicative World Plan, the following areas have been identified for special attention:

- Increasing yields—seeds, fertilizers, pesticides, irrigation, and drainage to increase crop yields.
- The protein problems—animal culture, development of inland fish culture, shellfish and marine culture, improvement of fishing crafts, and intensive development of new protein foods.
- Development Planning—policy analysis; perspective studies for countries as a basis for project planning; analytical techniques for project evaluation.
- War on Waste—combating losses due to inadequate handling, storage, and processing; weeds; insect diseases; rodents; birds; poor animal husbandry; inadequate animal nutrition; conservation of the environment and national resources.
- Mobilization of Human Resources for Rural Development—measures to equip rural populations for increased productivity (land tenure, farm credit, price incentives), and organizational measures to foster rural productivity.

# FAO ORGANIZATION CHART (PROPOSED)

1974-75



★ DETAILED BREAKDOWN SHOWN IN FIGURE 3-A  
 ● DETAILED BREAKDOWN SHOWN IN FIGURE 3-B

Figure 3



ECONOMIC AND SOCIAL  
POLICY DEPARTMENT  
ASSISTANT  
DIRECTOR-GENERAL

POLICY ANALYSIS  
DIVISION

STATISTICS DIVISION

FOOD POLICY AND  
NUTRITION DIVISION

COMMODITIES & TRADE  
DIVISION

HUMAN RESOURCES  
AND INSTITUTIONS  
DIVISION

POLICY STUDIES  
AND SITUATION  
AND OUTLOOK  
SERVICE

STATISTICAL  
DEVELOPMENT  
SERVICE

FOOD POLICY  
AND FOOD  
SCIENCE SERVICE

BASIC FOODSTUFFS  
SERVICE

PLANNING  
ASSISTANCE SERVICE

STATISTICAL  
ANALYSIS  
SERVICE

NUTRITION  
PROGRAMS AND  
RESEARCH SERVICE

EDUCATION AND  
TRAINING SERVICE

OPERATIONS  
SERVICE

AGRICULTURAL  
CROPS SERVICE

SUGAR, BEVERAGES  
AND HORTICULTURAL  
CROPS SERVICE

GENERAL COMMODITY  
ANALYSIS SERVICE

FOOD STANDARDS  
AND CONTROL  
SERVICE

AGRICULTURAL  
REFORM  
SERVICE

HOME ECONOMICS  
AND FAMILY  
DEVELOPMENT  
SERVICE

RAW MATERIALS  
UNIT

FARMERS'  
ORGANIZATION  
AND  
COOPERATIVES  
UNIT

Figure 3-A

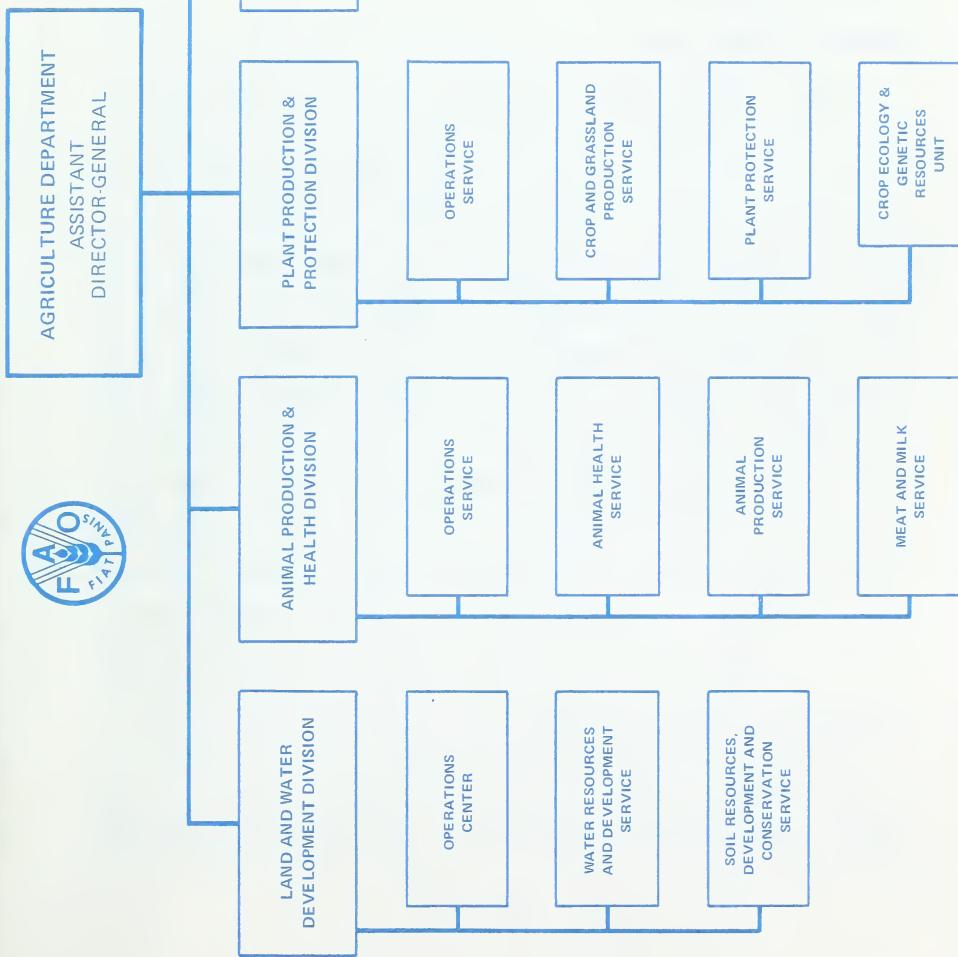


Figure 3-B

- Earning and saving foreign exchange—this program area is related to the emphasis during this period on international agricultural adjustment.

A modification of these areas of emphasis is proposed for the 1974-75 biennium: “mobilization of human resources” remains; “production and productivity” would take the place of “increasing yields”; nutrition and protein” would reflect the broader scope of this work; “conservation of resources and control of diseases and pests” replaces “war on waste”; “agricultural policy and planning” is essentially the same; and an emphasis on “basic economic and statistical services” would replace “earning and saving foreign exchange” as a priority area.

### Technical Assistance<sup>3</sup>

Technical assistance to developing countries now constitutes a major portion of FAO’s work. Experts are sent to provide a wide range of assistance in agricultural development.

#### Land and Water Resources

Technical assistance is provided for pasture and crop improvement, appraisal of areas suitable for agricultural development, and development of national soil surveys and conservation activities. The forms of assistance include projects to locate water resources, pre-investment studies for irrigation projects, advice to governments on administration and legislation, mobilization of unemployed rural labor to improve water supplies, and applied research on fertilizer requirements for the new high-yielding crop varieties. In 1970, FAO cooperated in 10 large-scale UNDP projects dealing with soil fertility and fertilizer use. Altogether, in 1972 FAO was involved in about 100 projects in the field of land and water development. In addition to preparing publications on soil classification and methodology, FAO supplies scientific information resulting from its use of radioactive isotopes to trace underground water and computer programming to determine optimal use of water resources. FAO helps conduct technical seminars and general policy conferences on various aspects of soil and water management. Major seminars on the subject were held in the Philippines in 1970, followed in 1972 by seminars in cooperation with the Governments of Thailand and Korea. Also in 1972, the FAO Regional Conference for the Near East and the UN Conference on the Human Environment underscored the importance that should be accorded to land and water development in FAO programs and recommended establishment of regional centers for water management.

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<sup>3</sup>The material in this section draws heavily on FAO annual reports of activities for 1970-72.

## Rural Institutions

FAO promotes rural social development through technical assistance in land reform and resettlement, institutional cooperatives, credit, marketing and distribution facilities, and agricultural education and research. Included in this phase of work is assistance with the entire process of introducing high-yielding varieties to particular regions.

FAO is active in the planning and implementation of educational programs. It assists countries in establishing agricultural schools and conducts workshops for agricultural teachers. FAO works closely with UNESCO and ILO to promote agricultural training. Particular emphasis is given to training rural youth.

Along with these research and training activities, FAO has worked on marketing and production incentives in several countries. Market development projects and grain price stabilization programs, in cooperation with WFP, have been the backbone of the program. FAO has organized several conferences on marketing, both on a national and regional level.

Finally, FAO encourages development of rural cooperatives as indicated by its sponsorship of a meeting on the subject in Cairo in 1971 for African and Near East specialists. About 300 projects were conducted or participated in by FAO's Rural Institutions Division during 1971.

## Food Policy and Nutrition

In 1972, FAO placed emphasis on helping countries investigate national food consumption levels and develop national nutritional services. During 1970-72, FAO was involved in 250 field projects which were wholly or in part concerned with the "protein problem." Considerable assistance is given to the establishment of food and nutritional units in ministries of agriculture. Other activities include education, promotion of protein foods, and group feeding. Home economics programs attempt to reach the rural families and communities with information on the best use of food. Special care is taken to keep new food innovations within the traditional dietary pattern of the developing countries. UNICEF finances the bulk of FAO nutritional projects, primarily improvements in nourishment of children and mothers. In 1972 the work on nutrition was given a broader policy orientation under the Food Policy and Nutrition Division.

## Plant Production and Protection

FAO's efforts to increase production of crops include a concern with high-yield varieties, pesticides, and advanced farming techniques. A major effort is given to transmitting high-yielding varieties from one region to another. Especially promising results have been achieved in the introduction of high-yielding Mexican wheats into the Near East. On the national level, FAO

advises governments on seed production and legislation. Attention is given to the production of industrial and protein-rich crops. In the area of crop protection, a major effort is now being given to evaluating potential dangers of pesticides. Studies are being made in cooperation with WHO on the residual effects on humans. At the same time, research continues on insect resistance to common pesticides. Operational projects include assistance on improvement of forage and pasture crops, rangeland, fruit and vegetable production, training in modern horticultural techniques, and conservation of plant genetic resources. Headquarters backup support was provided to some 600 field specialists in 1971. During 1972, FAO provided further support to the Consultative Group for International Agricultural Research, particularly for its Technical Advisory Committee, to which FAO furnishes secretarial services in Rome. (See pp. 46-47 for further details on FAO's participation in the Consultative Group.)

### **Animal Production and Health**

FAO supports operational programs, training, and research activities, and the dissemination of information to promote livestock production. Work is done on animal breeding and husbandry and the control of animal diseases. Animal breeding assistance usually takes the form of training programs, whereas the health program often involves large-scale efforts for vaccine production and distribution. FAO is called upon in animal disease emergencies, and often can provide vaccine on short notice. In 1972, FAO assisted in combating a new outbreak of foot-and-mouth disease in Greece and nearby Turkish Thrace, and prevented further spread of the disease. Support for upgrading veterinary staffs was an important element of animal health activity in 1972. University and middle-level courses were supported in Afghanistan, Colombia, Dominican Republic, Ethiopia, Kenya, and Somalia. An FAO Regional Meat Training Center was established in Kenya with support from the Governments of Kenya and Denmark; the center is host to the FAO/WHO training courses for meat inspectors. In 1970 FAO established an international dairy development scheme to help accelerate development of local dairy industries. By 1972 some 41 countries had joined the program of planning national dairy development programs. Five Dairy Training Centers, located in Chile, Senegal, Uganda, Lebanon, and the Philippines, continued to hold regional dairy training courses under a cooperative arrangement between FAO and Denmark.

### **Agricultural Development Planning**

FAO has sought to provide an overall policy framework for its country programs. The Indicative World Plan, which FAO completed in 1969, was designed as a worldwide analysis of the agricultural situation and projection to 1980. This work evolved into a Perspective Study of World Agricultural

**Development (PSWAD).** In 1971 the Conference agreed on this work as a continuing process, focusing on policy alternatives relevant for perspective planning by governments. Country perspective studies are aggregated to develop regional and worldwide analyses. The studies will also contribute to country programming and be linked to multiyear development plans which individual countries may formulate. FAO has undertaken studies on international agricultural adjustment, a topic of interest for developed and developing countries, and an important item on the agenda of the 1973 Conference.

## Fisheries

FAO carries out its program on fisheries with the advice of a Committee on Fisheries (COFI), which had a membership of 78 countries in 1972. COFI reviews problems of fisheries and their possible solution by nations and inter-governmental bodies. FAO's Fisheries Department operates a fishing fleet of about 100 vessels, principally as a means of providing training. The major emphasis of the program is training and education. FAO estimates a 30-percent increase in productivity by participants in its training programs. A second area of assistance is the promotion of cooperation among nations and institutions interested in investment in the fishing industry. FAO also plays an active role in sponsoring international conferences and drafting international treaties on conservation of fishery resources. In 1973, at the invitation of the Canadian Government, FAO is conducting an international conference on fishery management and development at Vancouver. In 1970-72, FAO participated in more than 170 fishery development projects. Over 300 experts are included in these activities. During 1972, the UNDP approved 29 fishery projects with a total cost of \$12.9 million. Other fisheries projects are financed under country bilateral programs and several are conducted in cooperation with UNICEF and UNIDO. International fishery surveys and feasibility studies have been conducted to determine investment possibilities.

## Forestry

Interest is rising in forestry programs and projects from the viewpoint of resource use and employment generation. The number of forestry projects financed by UNDP has grown from 11 in 1966, with a budget of \$14 million, to 62 in the 1972-73 biennium, with a budget of \$50 million. In addition, FAO's Forestry Department administers some \$8 million for projects carried out under bilateral programs with governments, trust funds, and the World Food Program (WFP). The principal aim of WFP/forestry projects is to help create jobs for rural unemployed through reforestation and related work. FAO managed some 120 forestry projects financed by UNDP, FFHC, and WFP during 1969-70. The main emphasis in forestry is on education and training. In addition to advising many governments of Africa and Latin

America on the operations of their own schools, FAO operated 27 forestry education and training projects devoted mainly to the production and distribution of forestry textbooks and the improvement of school curricula. Considerable attention is also paid to research on high-yielding varieties at both the theoretical and practical levels. Another area of activity involves surveys of forestry products and the means of marketing them. Recent years have seen increased emphasis on forestry development planning and on environmental conservation. FAO also has an active role in the conduct of technical and general policy forestry conferences. In 1972, FAO assisted the Argentine Government in conducting the Seventh World Forestry Congress in Buenos Aires. Over 2,000 foresters from 87 countries participated. The Congress adopted a declaration calling for greater development of forestry resources in low-income countries with due consideration to the environment and long-term social benefits.

### Other Areas

FAO provides advice and assistance on food processing, crop diversification, and mechanization. It is also concerned with farm management, agricultural engineering, and production economics. Focus is given to the earning and saving of foreign exchange through increased exports and import substitution. FAO compiles data on food outlooks and conducts analyses for this purpose. It also produces information through economic analyses of completed projects, reporting this information in its several publications (which now include 10 annuals and eight periodicals). The 1970 World Census of Agriculture was an FAO project. FAO is also involved in research on the utilization of atomic energy in connection with food production. It deals with induced plant mutations, fertilization, and food contamination. Recent effort has emphasized the study of pesticide contamination.

### Training

In most projects funded by UNDP, an essential element is the training of local counterpart staff. This is not a simple matter. Often there is a lack of adequate counterpart staff, especially in such fields as economic planning, hydrology, animal production and health, forestry, and manpower planning. The problem is particularly acute in Africa. FAO feels that more effort is needed to improve counterpart capability and to assure continuity on projects for which nationals receive training.

Fellowships are provided by FAO to help in training counterpart staff who are not trained directly in the field and for others for whom training would be beneficial. Traditionally, this has meant training in a more developed country. The United States, Western European countries, and the USSR provide much of the foreign training. Most of the FAO-sponsored nationals who

come to the United States are programmed by the U.S. Department of Agriculture. The Foreign Development Division of the Economic Research Service, USDA, conducts the training or arranges for other institutions to do it.

Since 1951, FAO has administered over 8,000 fellowships, half of them in the last 5 years. Most are now funded under the Special Fund fellowship program. Increasingly, however, training programs are being located in the developing regions, especially in Latin America.

FAO regional training seminars and centers are becoming more problem oriented and directly related to the needs of the participating countries. More advance preparation is also taking place to allow participants more interaction in the actual program. Approximately 50 such regional programs are operated each year.

## UNITED NATIONS DEVELOPMENT PROGRAM

### Background

UNDP is the hub for technical assistance activities of the UN system. UNDP was established in January 1966 as a result of the merger of the Expanded Program of Technical Assistance established in 1949 and the Special Fund established in 1959. Currently, UNDP disburses over 70 percent of the funds expended by the various specialized agencies of the UN. UNDP responds to requests for member states for assistance designed to provide the basis for attracting investment capital and for carrying on needed technical assistance. UNDP-financed projects are underway in some 140 countries and territories (35, p. 77).

Projects of 2 to 5 years' duration in such fields as agriculture, education, disease eradication, transportation, and resource exploration comprise the major part of the UNDP program. In addition, UNDP undertakes smaller projects designed to train nationals by means of fellowships or to provide countries with required expertise through the use of advisers. Both types of projects are ordinarily executed for UNDP by the United Nations or one of the other organizations of the UN system.

UNDP has its headquarters in New York. Its policies are established by a Governing Council which meets twice each year, ordinarily at New York in January and at Geneva in June. The Council approves the program and administrative recommendations of the Administrator, and, since it is entrusted with the supervision of all UN technical cooperation activities, also reviews the technical assistance program financed from the regular UN budget. The Governing Council, which the 26th General Assembly enlarged from 37 to 48 members in a resolution adopted on December 14, 1971, is composed of representatives of 21 developed countries and 27 developing countries. The United States has been a member of the Governing Council since the UNDP's establishment (35, p. 77).

In addition, UNDP receives advice from an Inter-Agency Consultative Board (IACB) and from an Advisory Panel on Program Policy. The IACB, which provides other organizations of the UN system with consultative participation in the UNDP's decisionmaking and policymaking process, is composed of the UN Secretary General and the executive heads of the specialized agencies—IAEA, UNCTAD, and UNIDO. IACB ordinarily meets twice each year to advise the Administrator on major issues pertaining to UNDP policy formulation and program direction and to assist in bringing about maximum coordination and integration of all UNDP-related activities of the UN system. Prior to 1971, its duties were limited primarily to a review of projects proposed by the Administrator and to provide advice to him concerning the appropriate executing agencies.

The Advisory Panel on Program Policy was appointed by the Administrator on September 30, 1970, to provide "creative thinking on new approaches to development." The panel is comprised of nine specialists in economic development and six ex officio members—the UN Under Secretary General for Economic and Social Affairs, the Executive Secretaries of the four UN regional economic commissions, and the Director of the UN economic and Social Office in Beirut.

## Organization and Operations

During 1971, the UNDP began implementing the various organizational and procedural reforms called for by the Governing Council in June 1970. The UNDP headquarters was restructured; four Regional Bureaus with responsibility for the conduct of program operations were established. In late 1972, the Administrator's Office was restructured to include, under two Deputies for Administration and Program, overall responsibility for UNDP administrative and financial procedures and for program matters, respectively. Figure 4 shows the structure of the UNDP secretariat in January 1973.

A key element in the UNDP field operation is the resident representative who advises the host government on development planning and UN assistance and coordinates the operation of UNDP-financed programs within the country under his jurisdiction. Designated by the 25th General Assembly as leaders of the UN teams in their respective countries, many of the 97 resident representatives have on their staffs representatives of FAO and UNIDO in the roles of senior agricultural and industrial advisers. The leadership and coordinating role of the UNDP resident representatives has been enhanced during the past 2 years with the initiation of UNDP country programming, in which they play a leading role, and with being granted authority in 1972 to approve projects up to a level of \$100,000. Fifteen resident representatives are U.S. citizens (12/31/72).

The financial resources of UNDP come principally from voluntary contributions pledged by governments. During 1972, 132 governments pledged \$271.2 million, compared with \$239.9 million pledged in 1971. In addition, assisted governments contributed about \$14.6 million for local costs plus counterpart contributions for individual projects. The United States, which has been the leading contributor to UNDP since its founding, pledged \$86.3 million in 1972, subject to the condition that its contribution should not exceed 40 percent of the governmental contributions (35, p. 78). In fact, the U.S. contribution represented 30 percent of total contributions in 1972, down from 36 percent for the previous year.

In 1971 UNDP shifted from project to country programming procedures intended to help relate UNDP-financed assistance more closely with national development plans and priorities. Under the new country programming procedures, each country is assigned an indicative planning figure representing the amount of UNDP resources likely to be available to it over a 5-year planning period. Each recipient government, assisted by the UNDP field office staff

# UNITED NATIONS DEVELOPMENT PROGRAM ORGANIZATION CHART – JANUARY 1972

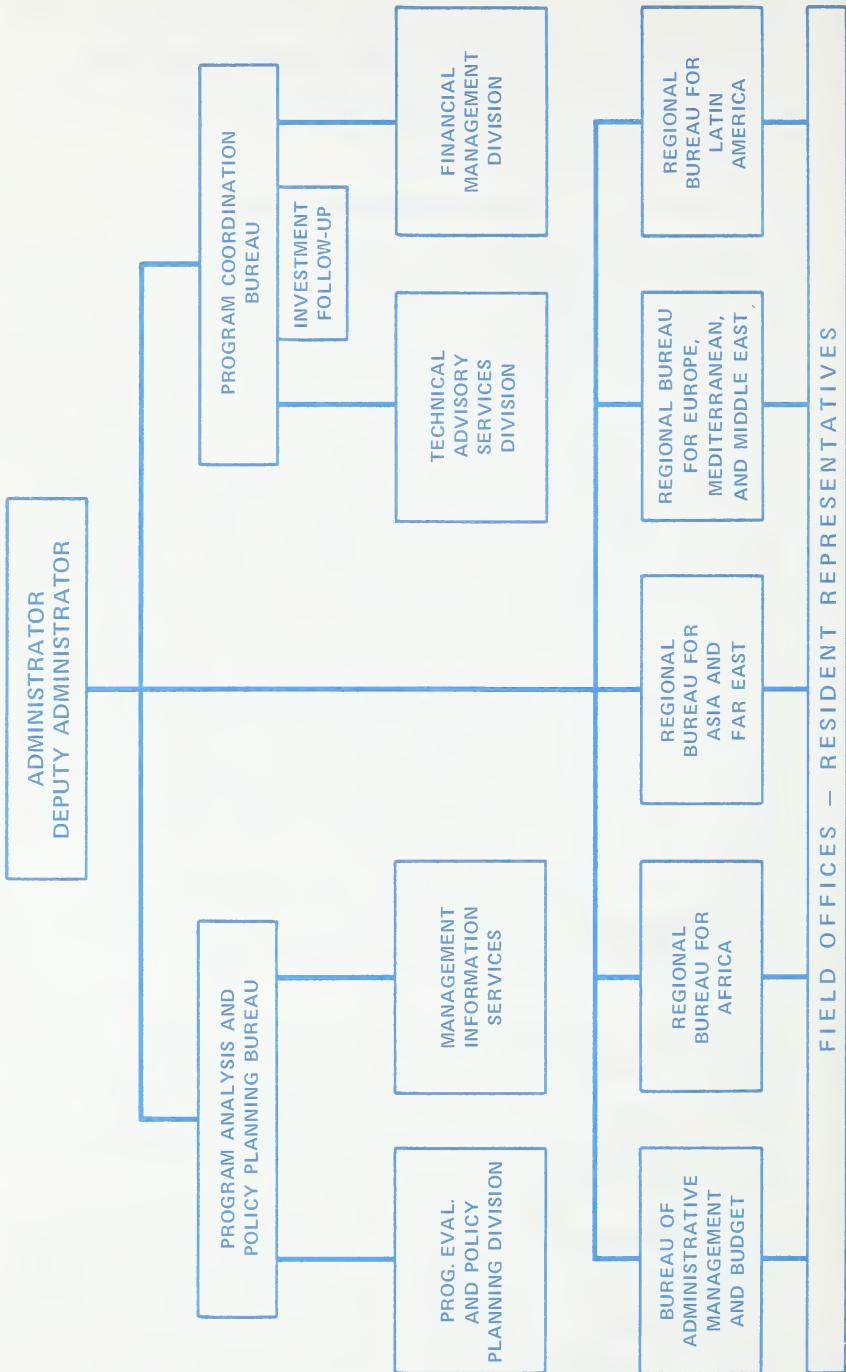


Figure 4

and, where appropriate, by executing agency staff, then draws up a draft country program. This program outlines broadly the types and forms of assistance the country wishes to be financed by UNDP over a period of time usually corresponding to its current national development plan. The draft country program is then appraised by UNDP and the executing agency prior to submission for endorsement by the UNDP Governing Council.

Once the country program is approved, project documents are prepared for each project. After appropriate appraisal the project documents are approved—by the Resident Representatives in the case of small-scale projects costing less than \$100,000, and by the Administrator (or in some cases the Governing Council) for projects costing over \$100,000.

A new financial system was also instituted. Abandoning its prior practice of requiring “full funding” of projects at their inception, UNDP began a practice of partial funding of projects at their beginning and trusting that subsequent contributions to UNDP would take care of later funding. This enabled UNDP to reduce its unexpended reserves to an operational reserve level of \$150 million (35, p. 79).

These and other reforms were based on the findings of “A Study of the Capacity of the United Nations Development System,” prepared during 1968-69 under the direction of Sir Robert Jackson of Australia. They should enable the UNDP staff to administer more efficiently an expanding program of development assistance.

## Development Assistance

UNDP-financed project assistance in 1971 was valued at \$245.1 million. Of this amount, approximately \$81 million was for agricultural activities.<sup>4</sup> UNDP finances technical advisory assistance, preinvestment surveys of natural resources, and studies of infrastructure intended to facilitate subsequent public and/or private investment activities where warranted, training of human resources, research facilitating the transfer of science and technology, pilot and demonstration area development projects, and schemes for the improvement of urban and rural life. Such assistance is generally executed by one or more of the UN specialized agencies.

At the end of 1971, UNDP had underway 685 large-scale projects costing an average of slightly more than \$2 million each, with funds provided jointly by UNDP and the recipient countries. These projects may engage the services of a score of international experts and involve a substantial quantity of equipment. At its two regular sessions in 1971, the Governing Council approved 196 large-scale projects expected to cost a total of \$468 million. Of this amount, \$204 million was to be provided by UNDP and \$264 million by

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<sup>4</sup> Memorandum from UNDP to USDA, January 1973.

the recipient governments in the form of counterpart contributions. The Council's action raised the number of large-scale projects approved since 1959 to a net of 1,428 (the total number approved, less those subsequently canceled), with financing consisting of \$1.4 billion in UNDP resources and \$2 billion in counterpart contributions.

Of the projects approved through 1971, a total of 543 are surveys of natural resources and/or feasibility studies, 511 involve technical education and training, 328 provide for applied research, and 46 consist of economic development planning.

Of the UNDP projects approved through June 30, 1972, major sectors of concentration were as follows: agriculture, forestry, and fisheries, 1,221; industry, 935; economic and social policy planning, 1,026; science and technology, 483; health, 428; education, 449; social services, 268; public administration, management, and other services, 228.

Approximately 4,000 small-scale projects were also in progress during 1971. Consisting primarily of fellowships and advisory services, these projects cost an average of less than \$35,000 each and varied in duration from several months to a few years.

The new country programming arrangements offer greater prospects for coordinating the assistance of the various UN system programs with those of the major bilateral and voluntary programs. This is in some cases being achieved by systematic consultations between Governments, the UNDP Resident Representative, and the representatives of UN and other programs prior to the preparation of the draft country programs. In other cases, coordination is sought more informally or by *ad hoc* agreements (see pp. 83-84).

## UN Volunteers

On January 1, 1971, a corps of UN volunteers—an international peace corps—came into being. Pursuant to a resolution approved at the 49th ECOSOC meeting, the 25th General Assembly in 1970 adopted a resolution: (1) establishing as of January 1, 1971, an international group of volunteers to be designated collectively and individually as UN Volunteers; (2) requesting the Secretary General to designate the Administrator of UNDP as Administrator of the UN Volunteers and to appoint a coordinator within the framework of the UNDP to promote and coordinate the recruitment, selection, training, and administrative management of the activities of the UN Volunteers; and (3) inviting member states, organizations, and individuals to “contribute to a special voluntary fund for the support of United Nations Volunteer activities.”

The Coordinator of the volunteer program subsequently contracted with the International Secretariat for Volunteer Services and with the Coordinating Committee for Voluntary Service to recruit, select, and train participants for the program. Formal requests for a total of 116 Volunteers to work on UNDP projects were received from eight countries—Chad, Haiti, Iran,

Jamaica, Niger, Pakistan, Togo, and Yemen (San's). By the end of the year 41 Volunteers were in service in five nations and the remaining 75 were in process of recruitment. Requests for an additional 65 Volunteers were under negotiation.

The United States pledged \$200,000 to the UN Volunteers Program. By the end of the year 12 other governments, three nongovernmental organizations, and several private individuals had contributed an additional \$56,955 to the special voluntary fund (35, p. 80).

On December 14, 1971, by a vote of 100 (U.S.) to 0, with 13 abstentions, the General Assembly adopted, on the recommendation of its Second Committee, a resolution that (1) reaffirmed that UN Volunteers should not be sent to countries without the explicit request and approval of the recipient governments concerned; (2) requested all organizations in the UN system to channel all requests for volunteers in projects executed by them through the UN Volunteers program and to coordinate all volunteer activities within UN-assisted projects with the Coordinator of the UN Volunteers program; and (3) invited governments, organizations, and individuals to contribute to the special fund for the support of the activities of the UN Volunteers (35, p. 80).

## COOPERATIVE AGRICULTURAL DEVELOPMENT PROGRAMS

Organizations of the UN family and others cooperate in many programs to further their respective efforts to assist the development of agriculture in low-income countries. This is an essential element of multilateral assistance because the development process is complex, and changed conditions do not necessarily fit into the prescribed areas of responsibility of any one international organization. If multilateral assistance is to be responsive to changing world requirements, collaborative efforts must evolve among existent organizations or new agencies must be brought into being. In this section, some of the cooperative efforts between international organizations concerned with food and agricultural development are described briefly. A recent cooperative effort, concerned with support of international agricultural research, is discussed separately on pp. 46-52.

### The FAO/UN World Food Program

The World Food Program (WFP) owes its origin to the world agricultural imbalance in which some countries produce too much for their own needs and world markets, while others neither grow enough nor earn enough to purchase their food needs in commercial markets. Various proposals for international action to overcome the problems of commodity surpluses and food deficiencies were discussed following World War II. In 1954 the United States initiated a large bilateral food aid program (widely known as the P.L. 480 or Food for Peace program) which gave further impetus to these discussions. In 1960 the UN General Assembly passed a resolution which asked FAO to study possible arrangements, including multilateral ones, for mobilizing and distributing available surplus foods. FAO prepared such a study, calling for an initial \$100 million in commodities and cash for a 3-year period. The program proposal was approved by parallel resolutions passed by the FAO Conference and the UN Assembly in 1961, and the World Food Program came into operation on January 1, 1963.

The life of WFP was subsequently extended for additional 3-year periods and then indefinitely. Pledging targets were set, and largely met, rising from the first \$100 million to \$275 million for 1966-68, and \$200 million for 1969-70. For the fourth pledging period, 1971-72, a target of \$300 million was recommended and almost met by July 1971. The U.S. share, originally set at not more than 50 percent of the total program funding, has been reduced to 40 percent as more donor countries participate.

The major objective of the program is to supply food to projects promoting social and economic development in recipient countries. Four types of

projects are aided: human resources development such as child feeding and school lunch programs; infrastructure development—irrigation and road projects, for example—in which part of the workers' earnings are paid in food; production development projects such as the supply of feed grain to support livestock and poultry industries; and resettlement programs to help displaced groups make a new start on land made available to them (until their first crops are harvested).

Feeding programs for children and related human resources development projects constitute the largest element in WFP activities. Typical of these projects assisted by WFP are the following: In Colombia the program has committed more than \$43 million over 5 years for nutrition education and supplementary feeding of groups most vulnerable to diet deficiencies such as the very young, the aged, and pregnant women. In Brazil's Sao Francisco Valley, free lunches are given to children to improve nutrition and to promote school attendance. In Lesotho and Botswana, practically the entire school population has been receiving WFP assistance.

Aid for infrastructure improvement projects constitutes a second large element in the program. Roads have been built in many countries with WFP food assistance; workers (often locally unemployed labor) receive a portion of their salaries in the form of food distributed through the WFP. Housing, wells, and irrigation works are other types of projects in which food assistance has been an important component. Projects in the "directly productive" category include aid provided to India for development of the dairy industry and for marketing of milk; dried skim milk is used to help increase milk supplies and hold down prices, thereby broadening the market for milk. Settling people on new land is a difficult process and WFP has furthered this effort in a number of countries. In the Sudan 115,000 were resettled, including 45,000 transferred from the area of the Aswan Dam in Egypt and 70,000 nomads; in Malaysia, more than 147,000 people were aided in resettlement projects associated with new rubber- and palm-growing operations.

WFP also assists in supplying food during emergencies. In recent years, thousands of victims of earthquakes, typhoons, and local wars have been helped. Aid in excess of \$1.8 million in food went to Peru after an earthquake in May 1970; more than \$4 million in food shipments went to East Pakistan, devastated by a cyclone in November 1970; three successive typhoons hit the Philippines in late November 1970, and WFP supplied nearly \$2.4 million in food aid; two drought operations in India cost \$7.4 million and \$2.7 million in 2 successive years (13).

WFP is directed by an Intergovernmental Committee which consists of 24 member nations of the UN and FAO. Twelve members are elected by the Economic and Social Council of the UN, and 12 by the FAO Council. The program is administered by a joint UN-FAO unit in Rome. An Executive Director is appointed to a 5-year term by the UN Secretary General and the FAO Director General. The staff unit in Rome carries on the day-to-day operations of the program, including the review of applications for aid, the

arrangement of shipments from donor countries where commodities are stored until required, and appraisal of results. The program's representative in recipient countries is the Resident Representative of the UNDP or the regional UN representative. WFP project advisers in the country are responsible to his office. The WFP Executive Director submits progress reports to the intergovernmental Committee; the IGC reports annually to the UN Economic and Social Council and to the FAO Council. They, in turn, report to the UN General Assembly and the FAO Conference.

### The IBRD/FAO Cooperative Program

The IBRD/FAO Cooperative Program is designed to further agricultural progress in developing countries by combining the staff resources and experience of the two organizations for certain operations. The program, established in April 1964, seeks to expand opportunities for investment in agriculture and thus make a significant contribution to the development of less developed countries whose economies rely heavily on agriculture.

A major constraint on a rapid increase in Bank and IDA lending for agriculture is a shortage of well-prepared high priority projects within the implementation capacity of the borrowing countries. The Cooperative Program is aimed primarily at reducing this constraint by assisting governments in the identification and preparation of investment projects for Bank or IDA financing. The final decision on whether a loan or credit is made remains with the Bank and IDA.

The coordinating agency for all FAO investment servicing activities is the Investment Center in Rome. With the rapid expansion of field programs, especially under UNDP Special Fund financing, advice, studies and investigations have become increasingly oriented toward investment. The information and expertise built up by FAO is valuable in the development of projects suitable for World Bank support. The growing gap between preinvestment work and investment financing may thus be bridged through the efforts of the two organizations.

FAO and the Bank agreed that the most effective way for FAO to carry out its part of the Cooperative Program was to designate a team of staff members, drawn largely from the technical divisions of FAO, who would be employed full time on Bank-oriented activities. These team members would acquire an intimate knowledge of the Bank's approach and modes of operation to enable them to advise countries in preparing projects for consideration by the Bank. With this approach, the Cooperative Program benefits from FAO's wide range of expertise without disrupting its regular activities.

Close liaison is maintained with Bank headquarters and activities are jointly planned. Other arrangements include exchange of staff between the Cooperative Program team and the Bank, and joint seminars.

Under the terms of the basic agreement, all missions undertaken by the Cooperative Program must be approved by the Bank. Project identification

and preparation missions are normally carried out under FAO responsibility, while all other missions are under Bank responsibility.

The Cooperative Program aids governments in preparing projects, usually in two stages. The first, identification, consists of (1) a preliminary view of the possible project to assess which activities should be included, what information is available and what has to be obtained to support a loan application, and the priority of the project; and (2) discussions with the government on the organizational and administrative arrangements necessary to execute the project successfully. Identification missions, consisting of two or three people, usually spend about 2 weeks in the field.

The second stage consists of assisting governments in all aspects of project preparation. At this level, detailed critical analyses are required of the technical, economic, and financial data and assumptions used in the project. The preparation mission helps the government assemble the detailed data needed by the Bank to appraise the project. Some of the points to be covered are the scope and size of the project, the government's administrative proposals and their legal basis, economic policies affecting the project, the capability of the organization and management envisaged, the market outlets and prices for the product, the situation with regard to availability of local resources in manpower and finance, detailed costs and construction schedules, and implementation capacity of the government or the project authority, technical assistance, etc. The team composition must be tailored to the specific requirements of the project and usually involves specialists from a number of disciplines. Several missions may be necessary, particularly if there are serious gaps in the data.

Cooperative Program team members participate frequently in Bank appraisal missions. Project appraisal involves a thorough study of the technical, economic, financial, commercial, managerial, and organizational aspects of a project with a view to deciding whether the Bank will help to finance it and, if so, to what extent. This involves a thorough evaluation of the data assembled during the identification and preparation phases, as well as formulation of the financing plan and implementation arrangements such as methods of procurement. Appraisal of a project clearly is the crucial stage in making a loan. Even though care is taken during preparation, unexpected difficulties can arise in appraisal since economic development is a dynamic process and assumptions made during the preparation stage may no longer be valid at the time of appraisal.

The terms of a loan often include provisions for technical assistance in the execution of the project and for complementary studies. Under the program, the Bank may request FAO (as well as other institutions or individuals) to supply such assistance.

Since its inception, the program has worked on a total of nearly 150 projects in over 60 countries. The program has contributed to a greater diversification of the Bank's investments in agriculture. Joint teams have worked

on a wide range of projects, including livestock, irrigation, tree crops, credit institutions, cooperatives, forestry, and some integrated regional projects.

## Other Cooperative Programs

### FAO/Industry Cooperative Program

While FAO's field program is largely related to technical assistance and training, attention is also given to promoting conditions for successful investment in developing countries. This involves support of ongoing UNDP projects and the identification of potential projects for private as well as public investment. Since 1965, FAO has been serving as a liaison between governments seeking development and industries interested in agricultural investment. Some 80 multinational companies are cooperating on this program (12). Emphasis centers around project identification and promoting government willingness to encourage private investment. Progress has been good in livestock, forestry, and food processing.

The program helps bring managerial, marketing, and financial experts into projects to help ensure their success. For example, when a program mission conducts a survey of a particular commodity for potential investment, the government receives both an expert adviser and, at the same time, a potential investor. It is too early to evaluate the impact of the program, but it is promoting investment in areas where public investment may not be possible, but private investment would be.

### FAO/UNICEF Program

The FAO/UNICEF program provides technical assistance dealing with the health and nutrition of children and mothers. FAO provides technical advice and assistance in project identification, appraisal, formulation, and implementation; UNICEF furnishes material assistance in the form of supplies and equipment. An example of FAO/UNICEF cooperation is the construction of a new plant scheduled to begin producing high protein food in the Arab Republic of Egypt this year. The five areas covered by this program are: applied nutrition, milk conservation, high-protein foods, home economics, and education and training. The program operates in over 90 developing countries. Africa has the largest number of projects; Asia and the Far East receives the largest allocation of funds.

### Codex Alimentarius Commission, FAO/WHO Cooperation

FAO and WHO are cooperating on a Food Standards Program concerned with developing international food standards, protecting health, and harmonizing national food legislation. Widespread acceptance and observance of

Commission standards would facilitate the flow of food products in international trade to the benefit of both developed and developing countries. By 1972 over 74 international food standards and seven codes of hygienic practice had been adopted by the Commission. Agreements reached deal with labeling of prepackaged foods, edible fats and oils, processed fruits and vegetables, and pesticide residue tolerances. Approximately 500 food additives have been examined toxicologically by an FAO/WHO Commission. A joint FAO/WHO committee of government experts has drawn up a code of principles for milk and milk products, adopted thus far by 71 countries. By late 1972, 99 countries had membership in the Codex Alimentarius Commission.

### **Freedom from Hunger Campaign**

Another cooperative FAO program is the FFHC. Organized in 1960 to educate the public about the world's hunger problems, FFHC has now assumed some operating programs as well. It works through country FFHC groups (93 National Committees) to communicate with the public in the developed countries and with farmers in the less developed countries. Its major operations program has been to increase fertilizer usage in developing countries. To help this effort, the fertilizer industry contributes substantial amounts of cash and fertilizer. During 1971, FAO was responsible for 130 field projects financed through FFHC. Most of them were concerned with farmer training, rural communications, nutrition, education, and rural youth. Also in 1971 FAO executed 47 new projects adopted by national FFHC groups which provided \$2.5 million in funding.

## THE WORLD BANK GROUP

### Background

The International Bank for Reconstruction and Development—more widely known as the World Bank—is one of three institutions known collectively as the World Bank Group. The others are the International Development Association (IDA) and the International Finance Corporation (IFC). They share the common purpose of providing and promoting a flow of capital into productive projects and programs in their developing member countries, but they function in different ways.

- The World Bank makes long-term loans at conventional interest rates; most of the projects it finances are large scale.
- IDA lends for much the same kinds of projects, but deals with countries not able to bear fully the burden of conventional loans; its credits are very long-term and free of interest except for a small service charge.
- For both the Bank and IDA, the criteria for making a loan or credit are the same: the project to be financed must make a significant contribution to the economy of the borrowing country and a reasonable certainty must exist that the loan will be repaid. The loan or credit will normally help finance the foreign exchange costs of the project, although under certain circumstances, Bank/IDA funds may provide for local costs as well.
- The IFC is principally concerned with facilitating the flow of private capital for investment in private enterprise of developing member countries. The discussion in this section does not include operations of the IFC unless specifically noted.

### Organization and Operations

Each of the constituent agencies of the World Bank Group operates under the same Board of Governors and the same Board of Directors. The Governors and the Executive Directors on the two Boards represent the member countries and have a voting power proportional to the total value of shares in the Bank's capital stock to which the country has subscribed. As of June 30, 1972, the United States had subscribed to 25.9 percent of the capital stock and held 23.2 percent of the voting power. The United Kingdom and Germany were the next largest subscribers with 9.6 percent and 5.1 percent of the voting power, respectively. Subscribed capital stood at \$24.5 billion, of which some 10 percent was paid in and the balance subject to call (22, 1972, p. 100).

Operations of the Bank are financed by funds from several sources. In addition to subscribed capital, the Bank obtains funds by borrowing on the world markets and by earnings which accrue from its operations and investments.

The IDA arm of the Bank is financed on a somewhat different basis to permit it to make loans on concessional terms to developing countries. Funding for IDA is made up of (1) subscriptions and contributions from member countries; (2) transfers from the Bank's net income; and (3) income derived from IDA's investments and lending operations. An agreement concluded in 1970 called for a replenishment of IDA resources of approximately \$2.4 billion over a 3-year period ending June 30, 1974. The U.S. share of this sum would be \$960 million, with annual contributions of \$320 million.

In October 1972, the IBRD was reorganized as indicated by the organization chart (fig. 5). The new structure establishes five Regional Offices, each headed by a Regional Vice President reporting to a Senior Vice President of Operations. Within approved policy, the Regional Offices have the responsibility for planning and executing the Bank's lending and technical assistance programs in the individual member countries.

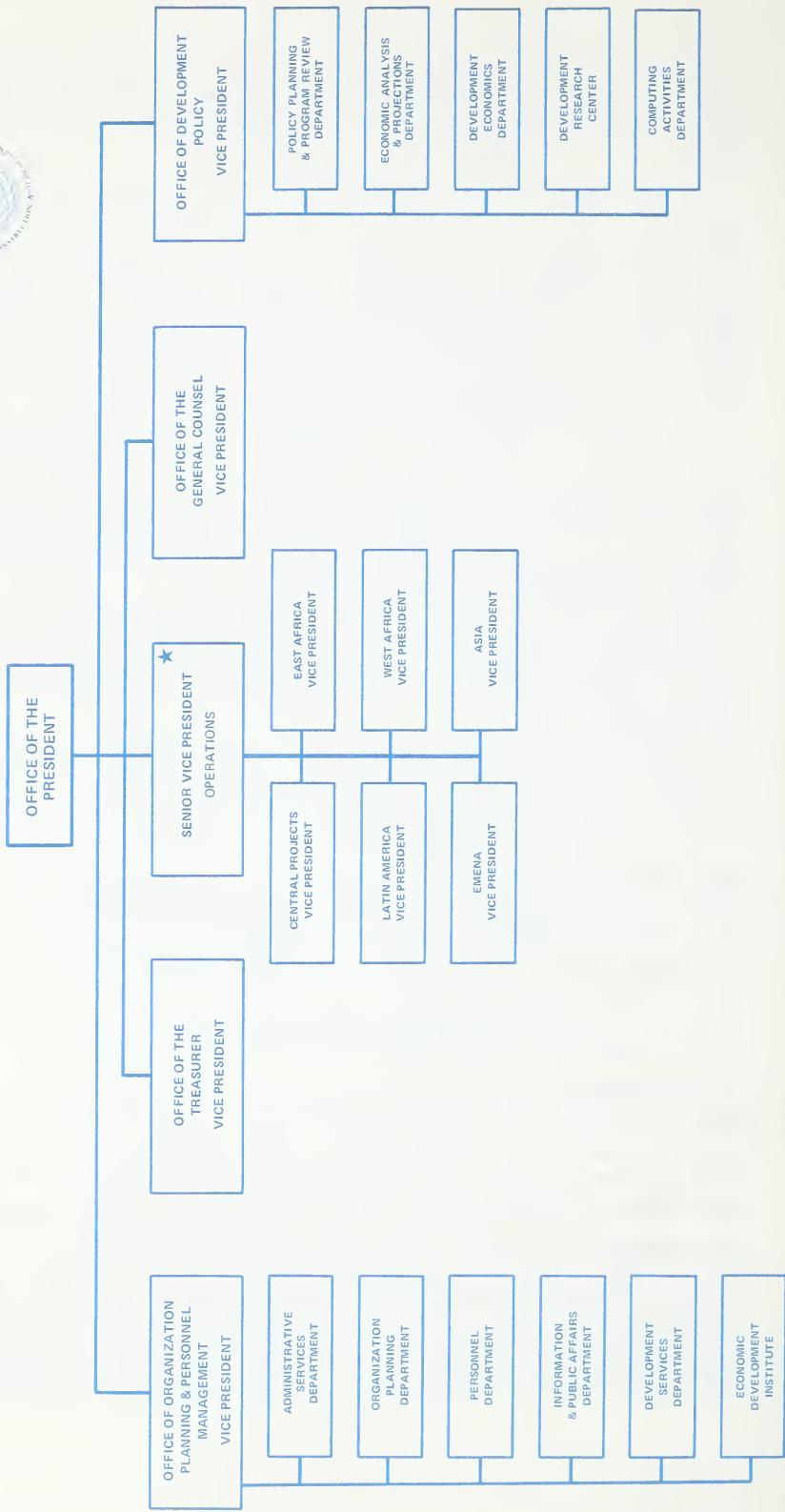
Regionalization of operations will provide both closer integration of the area and project activities of the Bank, and establish even more firmly that the development of individual countries is the basis on which the Bank's program is built.

In addition to the five Regional Offices, the new organization establishes the position of Vice President, Projects Staff. This Vice President also reports to the Senior Vice President, Operations. He is responsible for providing functional guidance and assistance to the Regional Offices. His staff consists of: selected experts to provide the support necessary to ensure uniform sectoral policies throughout the Regional Offices; certain specialists who cannot be allocated practically to any single region; and all personnel of the Population, Tourism, Urbanization, and Industrial Projects Departments—units too small to be decentralized at this time. Together, this new operating structure—the Senior Vice President, Operations; the five Regional Offices, and the Projects Staff—replaces the former area and projects departments.

Each Regional Office has a chief staff economist, two country program directors, and a director for projects. The project director is responsible, in turn, for four or five substantive divisions, such as agriculture, transportation, public utilities, and education. A development finance division is included in three of the regional structures. Within prescribed policy, each Regional Office has considerable operating autonomy, including responsibility for formulating the Bank's development assistance strategy in each of the countries in the region. The vice presidents are also charged with ensuring that necessary economic and sector survey work is carried out effectively and that identification and preparation work on projects is completed as planned. They are also responsible for project appraisal missions—from staffing to reporting—and

# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

DECEMBER 1972



★ SEE FIGURE 5-A FOR DETAILED BREAKDOWN.

Figure 5



SENIOR VICE PRESIDENT  
OPERATIONS

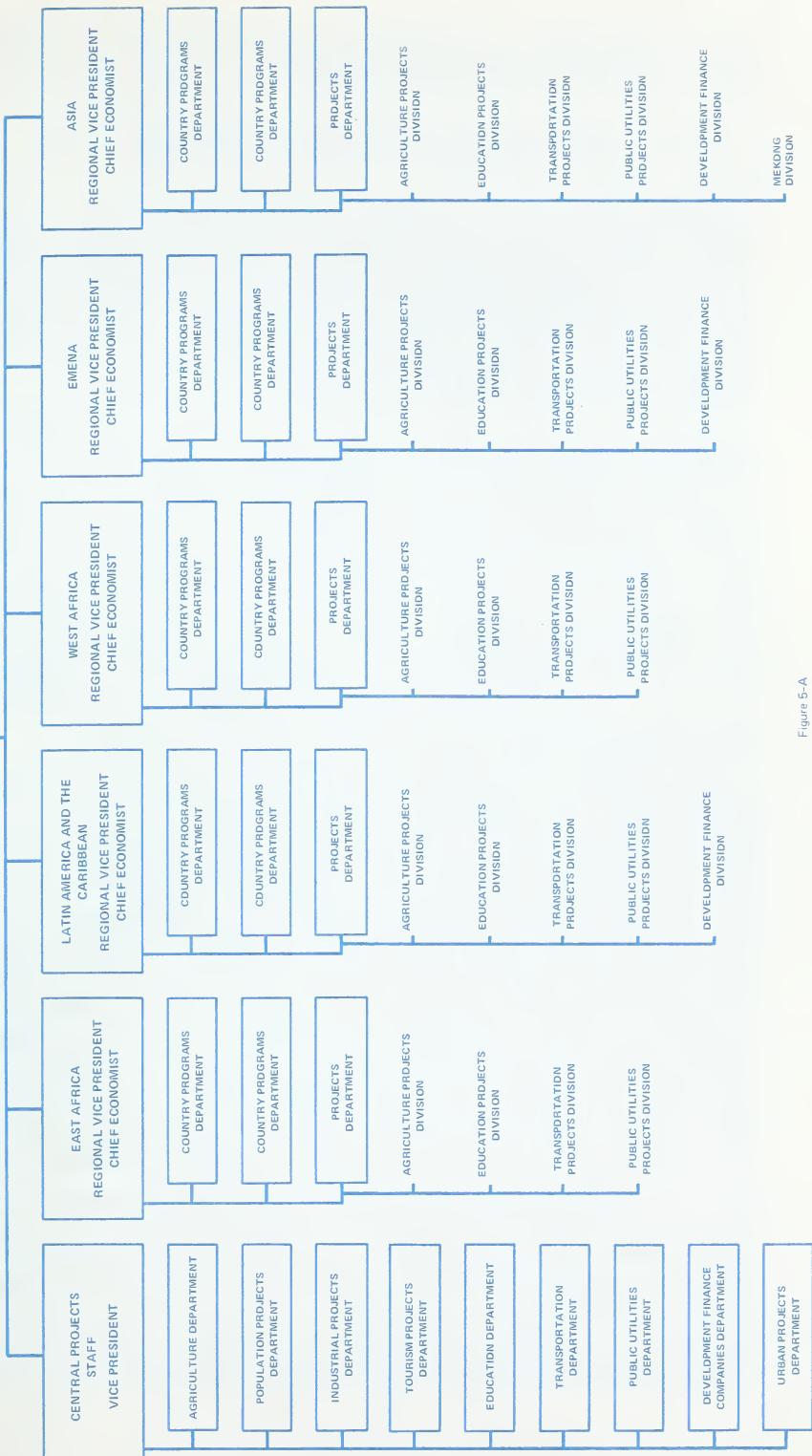


Figure 5-A

they are responsible for negotiations and loan administration and all Bank projects undertaken in their respective regions.<sup>5</sup>

## Development Assistance in Agriculture

The World Bank's interest in agricultural development is almost as old as the Bank itself. The Bank made its first loan for this purpose in March 1948, less than 2 years after its creation. But agricultural development was not a sector in which the World Bank was active in its early years. Although substantial sums were lent for this purpose, particularly for farm machinery and irrigation projects, the lending was constrained.

In the mid-1960's, the World Bank Group found it possible to support agricultural development on a much larger scale. From its beginning in the summer of 1946 until June 1963, about \$650 million were lent specifically for agricultural projects. By June 1968, the total had risen to \$1.3 billion. In other words, over the 5 years to mid-1968, the Bank Group had lent about as much for agriculture as in all the previous 17 years. By the end of the fiscal year, June 30, 1971, the Group's total direct lending for this purpose had risen to about \$2.5 billion.<sup>6</sup> The Group's efforts to increase its contribution to agricultural development is further evidenced by the fact that at the end of 1963, nine agricultural projects were being appraised or negotiated, and another 19 were in various stages of identification or preparation. The corresponding figures as of June 30, 1970, were 42 and about 100.

In the 5 years 1969-73, the Bank Group plans to lend four times as much for agriculture as in the previous 5 years, and to reach its target of \$2.4 billion. This level is projected to double again in the next 5-year period, 1974-78.<sup>6</sup> The first landmarks in that direction have already been attained. In fiscal 1969, the Group's agricultural lending totaled almost \$370 million, or about double the level of the previous year. In fiscal 1971, it rose further—to \$415 million. Another index of the relative importance of agriculture in the Bank Group's work is that, in 1962, agricultural projects accounted for only 7.8 percent of the total lending to developing countries. By 1971, the proportion had risen to 19 percent. These totals do not tell the whole story. Apart from the loans provided specifically for agricultural development, much of the money given for transport, especially road transport, has gone to projects intended mainly or partly to serve the needs of farming communities. The same is true of many of the loans given for electric power development. Indeed, a substantial proportion of the lending in other sectors, such as industry or education, has also directly or indirectly helped agriculture.

Effective utilization of the increased investment being projected will require careful cooperative efforts by the Bank Group and the countries in-

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<sup>5</sup> Bank Notes, Staff Paper of the World Bank, August 1972.

<sup>6</sup> Agriculture Sector Working Paper, World Bank, June 1972, p. 37.

volved. Considerable selectivity among projects will need to be exercised if the Bank's traditional loan standards are to be maintained.

The Bank's involvement in agriculture in the early years did not start with any preconceptions of what might be called "a grand design." Rather, it edged its way forward, selecting projects of high economic priority. The aim was to concentrate on the crucial bottlenecks in a country's agricultural economy that seemed particularly suitable for Bank financing. The first agricultural loan provided \$2.5 million to Chile in 1948 for imports of agricultural machinery. Until the late 1950's, lending to purchase agricultural machinery was one of the Bank's chief functions. During this period there was a severe shortage of such machinery and of the hard currencies required to buy it from the main suppliers—the United States and other industrialized countries.

In the second phase, broadly covering the late 1950's and the early 1960's, the largest share of the Bank's agricultural lending went for irrigation and flood control projects. This emphasis has continued. For a variety of reasons, irrigation has proved a particularly suitable subject for Bank Group lending. It provides the farmer with what is often his most important input—a large assured or regulated supply of water. The capital cost of irrigation projects is usually high. Much of it is foreign exchange. And that is where institutions like the Bank and its soft-loan affiliate, the International Development Association (IDA), can be particularly helpful.

The Bank Group's program in agriculture has evolved in several important ways in recent years. First, investment is more diversified. While lending for irrigation is still the principal component, more loans and credit are going to land settlement, seed improvement, grain storage, livestock upgrading, forestry, fisheries, training, and extension work. Second, the Bank has put more support behind comprehensive sector analysis and overall agricultural development projects. Third, the Bank has made more loans to investment credit institutions of member countries, strengthening their ability to extend credit as needed, particularly to smaller farmers seeking to utilize higher yield technology. The support is based on the realization that agricultural credit is vital for changes that touch most closely on the daily routine of the farmer. It can provide a large part of the resources required for the purchase of inputs such as fertilizer, as well as much of the capital required for investment on the farm itself. Agricultural credit is now the second largest category of the Group's lending for agriculture, and its relative importance is growing.

A variety of institutional arrangements have been made for channeling credit to the farmer. In Mexico, credit has been routed through the central bank, which has then re-lent it through commercial banks. In the Philippines, the money has flowed to the farmer through small rural banks. In Tanzania, the agricultural credit agency has relied on the strength of local cooperatives to distribute credit. A common feature, however, is that the program of lending to credit institutions not only provides them with money, but provides them also

with extensive technical assistance for improving their organization and operations.

Another increasingly important area of emphasis is livestock development. Its importance to the Bank is viewed in terms of protein development and agricultural diversification. The largest single loan ever made by the Bank for agriculture, \$65 million, was made to Mexico in May 1969 for beef and dairy cattle development. During 1969-71 lending for livestock improvements rose to \$91 million, accounting for 22 percent of all agricultural loans. (See footnote 6, p. 38.) Greater emphasis is also being given to increasing fertilizer production in the developing countries. The Bank Group has helped to finance a number of fertilizer ventures, particularly through the International Finance Corporation (IFC), which is concerned with promoting the flow of investments into private productive enterprises.

A new area of major Bank interest is agro-industries and related activities such as fisheries. The Bank is concerned with processing, storage, distribution, and marketing. For example, the Bank Group has financed fisheries in Taiwan, Ecuador, Ghana, Tunisia, Indonesia, and Panama; storage and marketing in the Philippines, Pakistan, and India; and a fruit and vegetable export project in Turkey, besides supporting other agro-industrial projects by loans through credit institutions. Several other projects are in the final stages of appraisal; and the Bank Group is seeking additional projects which it may appropriately help finance. The IFC has taken part in financing a number of private ventures directly involved in the production and processing of food. It has put money into cattle raising, grain storage, sugar refining, and flour milling, as well as into several food canning and processing activities aimed at production for both domestic and export markets.

The newest area of the Bank's interest is in integrated small holder development. Work in this area is still evolving and depends on the applied economics research conducted by the Bank and the guidance provided by the newly established Rural Development Unit. Two kinds of strategies underlie Bank investments in this area thus far: (1) Concentration on a specific cash crop of high potential as a focal point for general development in a region. A Kenya small holder tea project is of this nature; (2) Concentration on the overall development of a selected region, including all aspects of agricultural development from the supply of farm production inputs and farm management practices to local marketing facilities to handle increases in farm output. This approach is being used in projects for Malawi, Senegal, and Ethiopia (22, 1969, p. 7).

The Bank's other agricultural activities may be classified as general development. This involves any number of projects including mechanization, development of high-yielding seeds, pesticides, diversification, land clearance, and forestry.

The trend in agricultural lending has been toward greater geographical diversification and smaller loans, mostly under \$10 million. Most important in terms of geographical emphasis is that in 1972 almost half the countries

receiving agricultural assistance were in Africa. For Africa, this represents a tremendous increase in development assistance. The reorganization of the Bank, discussed on p. 35, will help IBRD further its efforts in Africa. For the Bank, concentration in less developed countries means much greater effort in terms of human resources and project cost. The effort needed for project identification and preparation of a \$1.8 million loan to Burundi to support coffee production may be similar to that needed for a \$25 million irrigation project in Pakistan, both of which were made in fiscal 1969. In 1965, permanent regional missions were established in Nairobi and Abidjan, primarily to assist governments in eastern and western Africa to identify and prepare agricultural and transportation projects for presentation to the Bank and IDA. Elsewhere, notably in East Africa and Latin America, the Bank has employed on contract a number of project managers who have helped governments implement projects which the Group is financing.

The Bank Group has diversified the nature of its agricultural work in terms of studies, preinvestment surveys, project preparation, and lending. The work has also been extended to many more parts of the world than was the case a few years ago. Until recently, most of the Bank's agricultural lending was concentrated in a relatively small number of countries. Pakistan and India (including the Indus Basin Development Scheme) headed the list. The others included Colombia, Brazil, Iran, Malaysia, Mexico, Morocco, Peru, and Thailand. But the Bank Group now has some kind of agricultural work in progress in 85 countries.

There are five basic steps in the granting of a loan by the Bank Group (5):

**(1) Identification:** The IBRD uses three tests to determine if a project is suitable for Bank financing. First, does the sector in which the project falls have high priority in the country's overall development needs? Second, is the project feasible in terms of cost and ultimate benefits? Finally, will it have adequate local support? These questions are raised during the identification of any project. They may be relatively easy to answer where loans are "repeater loans" which arise from currently financed Bank projects. Much of the needed research has already been completed on this type. Projects may be suggested by the potential borrower or identified by Bank missions sent out to make economic or sector surveys of the countries. In the case of agriculture, FAO may participate as needed. Permanent missions, such as those stationed in Africa and Indonesia, may help identify projects in their areas.

**(2) Preparation:** It is at this point that the Bank enters into a close working relationship with the potential recipient country. The formal burden at this stage is with the borrower. The work is very detailed and involves development of all the specifications and various considerations needed to present the loan for appraisal. If the government is not able to carry out the study itself, it is required to hire a consulting firm acceptable to the Bank. Sometimes this study is financed by the Bank with a grant or credit, but more often it will be done through the UNDP.

**(3) Appraisal:** After the preinvestment surveys are complete, the Bank appraises the project to decide if a loan should be granted. These studies are almost exclusively conducted by the Bank staff, and are always made in the field. Three sets of problems are analyzed. First, technical and economic considerations are examined in terms of the adequacy of all aspects of design and plans. In addition, the needs of the economy and the relationship between the project, sector, and economy are carefully examined. Second, the commercial and financial prospects of the project are considered. This includes availability of needed inputs as well as potential outputs and their marketability. If construction is involved, the Bank determines if sufficient counterpart funds are available from the borrower government for this purpose. Third, the managerial and organizational aspects of the loan are analyzed. The Bank is concerned with the top management of the project, both in terms of construction and management of the project upon completion. Also, there is concern with staffing procedures. In addition, the Bank seeks assurance that a project is insulated from undue political interference, and that the organizations financed are adequately efficient.

**(4) Negotiations:** Negotiations with potential borrowers after the acceptance of a loan project through the appraisal process can involve many aspects. The Bank not only negotiates the specific terms surrounding the construction of a project but, where necessary, other issues also. The Bank may, before lending, request commitments on various questions such as staffing, future support, and commercial matters not tied solely to the specific project.

**(5) Supervision:** After negotiations are complete and the project is approved by its Board of Executive Directors, the Bank has the obligation of monitoring the operation. Project reports are requested on a regular basis and are analyzed by the staff. Each 9 months, on an average, staff will visit each project under construction or implementation. Usually, the Bank does not supply technical assistance at this stage, although in Africa, as mentioned before, the Bank is increasingly making project managers available to those countries which cannot meet the manpower requirements.

## Technical Assistance and Project Preparation

There is a growing recognition of the importance of human resources as essential to the success of capital assistance within developing countries. The Bank is beginning to respond to a growing demand by taking an active interest in technical assistance and training and by providing funds for project identification and preparation.

While the Bank is primarily a lending institution, it does give grants for pre-investment studies. As a member of the UN family, however, it cooperates with the UNDP, which has the major role in providing such grants. The Bank will make grants only up to \$200,000; in any case, the UNDP has the option to finance the study no matter what the cost may be.

By the end of fiscal 1970, the Bank had served as the executing agency for 62 UNDP-financed studies, leading to investments totaling \$918.9 million as of that date.

In addition, the Bank conducts some project identification studies and commissions FAO and UNESCO to do others. During fiscal 1970, FAO undertook 76 such missions, and FAO Staff participated in 36 joint missions with the Bank (22, 1970, p. 13). Currently, FAO works with the Bank Group through its Investment Center, which houses some 55 experts funded by the Bank. (See pp. 30-32.)

Technical assistance is part of virtually every loan or credit, either in the identification, preparation, or implementation stages. In addition, financing may on occasion be provided for project preparation. Six such lending operations were approved in fiscal 1970.

The Bank also provides technical assistance through its program of country economic missions. These missions are intended to help in the process of designing strategies for the various sectors of the countries' economies. Teams will include UNDP representatives and technical personnel from specialized agencies, when appropriate. Missions will go annually to the largest developing countries, and every 2 or 3 years to others. This program is designed in part to facilitate financing of general agricultural development programs as well as individual projects.

## Training

The Economic Development Institute was set up in 1955 by the World Bank to provide training services for member countries and to assist in broadening the perspective and enlarging the competence of senior officials concerned with developmental work in these countries. In organizing its training program, the Institute utilizes the experience of the World Bank and its affiliates regarding problems of economic development.

Six or more courses are scheduled in most years, including a 6-month course which deals broadly with the problems and policies of economic development and a number of shorter courses covering various aspects of the evaluation, selection, preparation, and execution of development projects. To the extent that its staff resources permit, the Institute also offers assistance to institutions in developing countries which have continuing programs for training officials in economic development.

The Institute is a staff college for senior officials of less developed countries who are concerned with the formulation and administration of policies, programs, and projects. The courses are designed to give the participants both a broad perspective of the process of development and an insight into their particular problems. The curriculum emphasizes practical considerations which will increase the effectiveness of these officials in discharging their responsibilities (21).

The Institute has a small full-time teaching staff. Personnel of the Bank and the International Finance Corporation, including economists, engineers, lawyers, financial analysts, commodity experts, and country specialists, frequently conduct sessions when their special knowledge and experience are applicable. Specialists from other international organizations, government agencies, universities, and private concerns are likewise invited to lead sessions related to their fields.

One of the courses offered is on agricultural projects and helps provide information on the special characteristics of the agricultural sector; prospects for demand and supply of the main commodities; technological possibilities for expanding production; the role of marketing; price incentives and credit; and land tenure arrangements.

The Agricultural Projects Course is intended to familiarize senior officials with project analysis as a method of making the best use of capital funds for agricultural development. Participants are normally chosen from departments responsible for preparing or reviewing project analyses within ministries of agriculture, central planning groups, or other agencies concerned with agricultural development. Special emphasis is placed on those techniques found most appropriate by the Bank for assessing proposed investments in agriculture in developing member countries.

Among major elements covered in the course are: (1) analyses of rate of return on investments in agriculture and cost-benefit ratios; (2) analyses of special projects, on a case-study basis, in areas such as irrigation, agricultural credit, or marketing, (3) identification and preparation of projects appropriate for consideration by officials of international lending agencies; and (4) understanding the development process in agriculture and the place of agriculture within the national economy.

The EDI has scheduled seven agricultural project courses in fiscal 1973, more than in any previous year. They will be conducted in English, French, and Spanish, and four of them will be overseas. Increasingly, the Institute expects to focus more of its efforts on helping member countries develop their own capacity to teach project analysis. For this purpose, EDI cooperates with local and regional institutions and prepares teaching materials for circulation outside the Institute's own seminars (21).

### Agricultural Economics Research Activities

The Bank's economic research activities have two principal aims: to establish a factual or conceptual basis for policy, and to provide general support to operations in the sector. (See footnote 6, p. 38.) Examples of economic research relating to agriculture which is in progress illustrate the current focus: A study is being made of the effects on employment and productivity of the use of tractors in India; this results from the Bank's initial projects to finance mechanization there. Irrigation rehabilitation projects in Mexico have been reappraised. Similar reevaluations of two irrigation projects in India and

a credit project in West Pakistan are in progress. Farmers' response to new varieties of rice are being investigated in Bangladesh.

A study of rural development in East Africa is being prepared. It will be closely linked with the agricultural sector surveys that are being carried out in a number of countries and with reviews of a number of ongoing projects. The aim is to improve understanding of smallholder motivation and rural development generally, and to assist in determining the minimum package which may be needed in the future for smallholder development projects covering a wider area.

Other studies which are being conducted or prepared and which are closely related to the Bank's role in rural development include: a study in India of substitution between labor and capital in road building; a likely extension of this study to the construction of irrigation works; studies of village electrification and water supply; an evaluation of existing experience in nonformal education for rural development; and the construction of programing models of the agricultural sectors of Mexico, Brazil, and Portugal.

Outside the formal aspect of its economic research program, the Bank is endeavoring to expand its research-oriented program of monitoring project performance. So far, a systematic data gathering and evaluation procedure has been built into only a few projects, such as the livestock activities in Mexico, Uganda, and Uruguay and the Kadana irrigation scheme in India.

Much agricultural economics research relevant to Bank programs is underway throughout the world and considerable attention is devoted within the Bank to reviewing and interpreting studies conducted elsewhere. This is an increasingly important source of new ideas for development policy.

The content of the Bank's own research program is determined by very specific policy needs or by the advantages of working with its own data. Nevertheless, many studies are conducted with the help of consultants or cooperating agencies in the developing countries. For example, the Bank has arranged with the FAO/IBRD Cooperative Program for a pilot study of the employment and income distribution effects of the Muda irrigation project in Malaysia, which includes substantial farm mechanization (including private farm machinery pools providing services to small farmers).

With the recent IBRD reorganization, increased emphasis has been placed on the policy content of agricultural economics research undertaken by the Bank. This is evidenced by designating the head of the Bank's economic work as Vice President for Development Policy. At the same time, a policy planning and program review department has been established and within it a new policy planning division. Moreover, each of the Regional Vice Presidents has a chief economist as part of his immediate staff to relate economic analyses more directly to country programs and project appraisals. (See footnote 5, p. 38.)

## INTERNATIONAL AGRICULTURAL RESEARCH INSTITUTIONS<sup>7</sup>

### Background

Agricultural research institutions have been credited with the spectacular gains in production of wheat and rice referred to as the “Green Revolution.” These gains, and the work of geneticists that made possible the new seed varieties, received widespread recognition in recent years (capped by the awarding of a Nobel Prize to Norman Borlaug for his work on wheat). The international agricultural research centers in Mexico and the Philippines, where the work in wheat and rice was done, have received their principal support from U.S. foundations. With wider recognition of the potentials, interest to support an expanded program of international agricultural research became more widespread.

In his address to the Board of Governors at its annual meeting in 1969, the President of the World Bank recommended that the IBRD assume a greater role in promoting agricultural research institutions. He reported on discussions with representatives of the foundations and of individual governments. Out of these discussions, and a subsequent conference in Bellagio in April 1969, grew the framework for a Consultative Group which would provide support for international agricultural research. The first meeting of the Group was held in the spring of 1971; IBRD assumed the role of Secretariat.

### The Consultative Group on International Agricultural Research

The Consultative Group is composed of IBRD, UNDP, and FAO; the Ford, Kellogg, and Rockefeller Foundations; the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, and the International Development Research Center of Canada. Member countries represented at the first meeting were the United States, Canada, United Kingdom, Germany, Denmark, France, Netherlands, and Sweden. At the second and third meetings, other countries accepted membership: Australia, Japan, Norway, Switzerland, and Belgium. The Commission of the European Communities was given representation, as were the developing countries: Brazil/Argentina for Latin America; Israel/Romania for Eastern and Southern Europe; Lebanon/Pakistan for the Near East; Morocco/Nigeria for Africa; and the Philippines/Thailand for Asia.

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<sup>7</sup>Much of the material in this section is drawn from annual reports of the individual research centers, prepared, in part, for presentation to the Consultative Group on International Agricultural Research at its meeting in November 1972.

The Group operates with the assistance of a Technical Advisory Committee (TAC) made up of leading agricultural research personnel from developed and developing countries, with FAO providing the secretariat. The TAC is responsible for reviewing programs and budgets of institutions which may be supported by the Group; making recommendations on levels of support by the Group for these institutions and for its own operations and the range of problems on which it might focus attention; and developing long-range plans on international agricultural research needs.

Support for five existing agricultural research institutions was recommended by the TAC and agreed upon by the Consultative Group at its second meeting in December 1971. The five were:

- International Maize and Wheat Improvement Center (CIMMYT), Mexico.
- International Rice Research Institute (IRRI), Philippines
- International Center of Tropical Agriculture (CIAT), Columbia
- International Potato Center (CIP), Peru
- International Institute of Tropical Agriculture (IITA), Nigeria

The total financing recommended and agreed upon by the Group was approximately \$15 million for 1972.

International agricultural research centers were the subject of a meeting held in Washington, D.C., from July 31 to August 4, 1972. The meeting was principally concerned with a review of research programs and financial needs of the five Centers receiving support from the Consultative Group. The Centers indicated financial needs for their core operations in 1973 at \$18.6 million and for capital needs at approximately \$5 million. The principal donor agencies indicated support at about \$15 million and the United States indicated its support at 25 percent of the core and capital requirements of each institute, or about \$5.9 million (excluding sums needed to complete capital installations of CIAT and IITA). A sixth international research organization was added to the list supported by the Group: International Crops Research Institute for Semi-Arid Tropics (ICRISAT), located in India.

The third meeting of the Consultative Group took place in Washington, November 1-3, 1972, with IBRD serving as host. At this meeting, the Group made funding commitments in line with the programs and financial needs outlined during the earlier research centers meeting. Governments and organizations making up the group indicated their intention to make approximately \$24 million available in 1973. Discussions took place on several topics principally concerned with the scope of operations to be supported within the Consultative Group framework. There was consensus that priority consideration would go for research on food crops. In this context, discussions were held on possible support for an animal disease laboratory in Africa and for linking African research stations to the work of ICRISAT. Questions of research on fibers and nonfood crops and the problems of synthetics raised in a resolution by UNCTAD were referred back to the TAC for further examination.

tion. There was consensus that the Centers needed to be concerned with social and economic issues associated with the research and with the problems of getting the results of the research to those who ought to make use of it.

## Programs of the Research Institutions

### International Maize and Wheat Improvement Center (CIMMYT)

The CIMMYT is an autonomous research institute established in Mexico in 1967. The Institute is located near Chapingo, site of Mexico's National School of Agriculture and the National Agricultural Research and Extension Service. Research on wheat and corn had been going on for years at Chapingo, supported by external grants and technical assistance, principally by the Rockefeller Foundation, since 1943. Within Mexico, CIMMYT is active in six experiment stations, four under its direct operation and two controlled by Mexico's agricultural research institute. The 1972 operating budget of CIMMYT was approximately \$5.7 million, exclusive of capital expenditures but including \$1.6 million for special projects. The Center has an international Board of Directors, which includes Mexico's Minister of Agriculture and its Director of the National Institute of Agricultural Research.

Since its establishment, CIMMYT has concentrated its efforts on maize and wheat. Its objectives for the maize program are: (1) to assist in the development of national and regional maize improvement programs and to supply technology for those programs which will assist especially the farmers of developing countries; (2) to increase the efficiency of maize yields in terms of production per hectare and costs per unit of production; (3) to improve nutritional quality of maize, particularly in protein quantity and quality. The Institute operates the largest maize germ plasm bank in the world. The objectives of the wheat program are essentially the same as for maize. The program includes research on spring and winter bread wheats and durum as well as barley and triticales (a cross between wheat and rye). CIMMYT does not maintain a world seed collection of wheat but turns to the U.S. Department of Agriculture for new varieties when it needs to augment its own working collection.

The institute has operated an important "outreach" program since 1960. In that year experimental lines of wheat were distributed for "international nursery trials," and in 1971 similar trials were begun for maize. In 1971 there were nearly 800 separate trials in 78 countries. CIMMYT also conducts an extensive training program including short-term, inservice training and work-study programs leading to graduate degrees conferred by universities in Mexico or in other countries.

### International Rice Research Institute (IRRI)

The year 1972 marked a decade of intensive and successful efforts by IRRI to improve the productivity of rice cultivation. The Institute is located in the

Philippines under an agreement granting it autonomy of operations. The IRRI operating budget is approximately \$4.4 million, of which \$1.4 million are for special projects.

The work of the Institute comprises plant breeding and trials under the principal ecological conditions that characterize rice farming in Asia: (1) deep water or paddy rice in which the rice matures standing in water; (2) upland rice grown under controlled water conditions—either irrigation or controlled rainwater; and (3) upland rice grown without water control. The work of IRRI has concentrated on the second, since the high-yield rice strains respond most favorably when there is an adequate supply of water. The Institute is working on disease-resistant varieties of rice and ways to combat disease such as blast, and also developing varieties which are more resistant to drought. All of these programs are aimed at making rice, the mainstay of millions in Asia and elsewhere, a more dependable crop less subject to unexpected destructive forces. Another program at IRRI is aimed at improving cropping systems for rice grown in humid tropics; the hope is to increase the productivity of this kind of land which is found in many developing countries.

The IRRI also conducts a training program with emphasis on programs for scientists at the senior level. Training may lead to a Ph.D. degree and even postdoctoral studies. Special rice projects are conducted by IRRI in cooperation with research institutions in India, Ceylon, and Indonesia. A project with Pakistan, which now produces surplus rice, was terminated in 1971. New cooperative projects were begun in 1972 with Vietnam and with Egypt.

### **International Institute of Tropical Agriculture (IITA)**

The IITA was established in 1967 under agreement with the Nigerian Government and has operated under a broad mandate for developing advanced technology which will enable farmers of the humid tropics to increase the quality and quantity of food production. The Institute operates under its own Board of Trustees which includes representatives of the local government, donor governments, and research administrators of international stature. The institute had an operating budget of approximately \$3.3 million in 1972, exclusive of capital expenditures.

Among the Institute's principal activities are (1) A program in farming systems which is concerned with improving the cultural practices associated with farming in the humid lowland tropics; (2) A cereal improvement program that concentrates on two cereals, rice and maize, which have the greatest potential for the African forest zones of lowland humid tropics. The work will be done in cooperation with IRRI and CIMMYT; (3) A grain legume improvement program in which the research will be linked to the ecological conditions of the humid tropics; (4) A root, tuber, and vegetable improvement program.

The IITA maintains a library and documentation center which services its own needs and those of other African countries. The Institute provides

opportunity for training, but does not award degrees; it seeks rather to develop greater technical skill in the conduct of crop research and improved understanding of farming systems and farm management. The IITA is also engaged in a number of special projects with other African countries and with support from sources outside the Consultative Group.

### **International Potato Center (CIP)**

The International Potato Center (CIP) is a recently established research institution. Facilities for the Center are provided by the Government of Peru, which also provides administrative and economic autonomy. The Center is governed by an international Board of 10 members, including two from Peru and three nominated by the Consultative Group. A potato center was established because potatoes are widely grown in developing countries and if yields could be raised to those of European countries and the United States, potatoes would outrank cereal crops in the production of calories per acre. The operating budget of the Center is projected at \$1.5 million to \$1.75 million annually. The Rockefeller Foundation International Potato Program was linked to the CIP in 1972.

The Center is concerned with the development of different strains of potatoes, not only to increase output per acre but to extend the range of ecological areas in which potatoes may be grown efficiently. Most varieties are now grown in the ecological zones of temperate climates and upland tropics, but it is anticipated that they can also be grown successfully in lowland tropics and become a basic subsistence crop of these regions.

The primary focus of the CIP is to conduct the research necessary to achieve its objectives of increasing output and broadening the ecological region for its cultivation. A principal effort has been to build up a collection of potato varieties for trial and breeding purposes. At the same time, the Center provides a training program of a short-term nature and, in conjunction with other educational institutions, courses of study leading to graduate degrees. Its outreach program includes the development of special projects between the Center and specific regions or countries.

### **International Center of Tropical Agriculture (CIAT)**

Although CIAT was formally established as a research center in 1967, its antecedents go back to a cooperative agriculture program established in 1950 by the Rockefeller Foundation with the Government of Colombia. It is now engaged in building on its new site at Palmira on the outskirts of Cali and adjacent to the Instituto Colombiano Agropecuario (ICA). The Faculty of Agriculture of the National University will also be associated with CIAT's program. The Center's "core" operating budget for 1972 was approximately \$2.9 million, exclusive of capital expenditures and funding for special projects.

In CIAT the work is not concerned primarily with a single crop or enterprise but instead focuses on the identification and solution of tropical crop and livestock production and distribution problems and on the training of people in a problem-solving research and educational environment. The two principal commodity efforts are in beef and cassavas, work representing about 50 percent of CIAT's operating budget for 1972. The Center works closely with national research organizations in Colombia to provide CIAT with access to tropical agricultural production problems and experiments in environments that differ from the headquarters location. The work in beef is concerned with overall systems of livestock production, including pasturage, range management, health, and the economics of a livestock industry under different Latin American conditions. A similar approach is taken in the program on ruminants. Crop research emphasizes cassavas and their overall system of production, including the economic aspects of the industry. A limited program of research is being conducted on field beans and swine. Through its "outreach" program, CIAT is also involved in rice and corn research in co-operation with IRRI and CIMMYT.

CIAT training activities concentrate on providing learning experiences for selected professionals from countries in Latin America and elsewhere. It conducts a 12-month course for crop production specialists and another on livestock production. The Center's outreach program has thus far been limited to Colombian institutions. A new effort being undertaken by CIAT is on means of integrating the production of several commodities into a single farming system to increase the economic efficiency of smaller farm units.

### **Inter-American Institute of Agricultural Sciences (IICA)**

The IICA is an autonomous institution founded by the Organization of American States in 1942. The Institute does not receive funds from the Consultative Group; its principal source of financing is from the OAS member countries who are represented on IICA's Board of Directors. IICA is headquartered at San Jose, Costa Rica, but it also administers a research and training program at Turrialba on problems of the humid tropics. The research center will be operated by Costa Rica when IICA phases out from the work there. Regional offices are maintained at Lima, Guatemala City, and Montevideo. In addition, a center for rural development and agricultural reform is operated at Bogota. In recent years, IICA's Board of Directors has moved to have the Institute direct more of its efforts to providing technical assistance to member country research centers rather than to operating its own centers in a few hemisphere locations.<sup>8</sup>

The Institute has an annual operating budget of approximately \$4.8 million (1971); of this, member country assessments are \$4 million and special

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<sup>8</sup>Much of the material on IICA is drawn from *Informe Anual, 1971*, published by the Institute in October 1971, and the *Annual Report, 1972*, published in January 1973.

projects which carry their own funding make up about \$0.7 million. The U.S. contribution for fiscal year 1971 was \$2.7 million. For 1972, country quotas stood at \$4.4 million, with the U.S. portion \$2.9 million (18).

Initially, IICA was concerned primarily with traditional lines of research looking toward improvements in crop production. In recent years, the Institute has undertaken a broader and more varied program. It includes: (1) Strengthening agricultural education. The emphasis in this portion of IICA's work is on helping educational institutions in member countries improve their teaching practices and the content of their agricultural courses; (2) Increasing the effectiveness of agricultural research programs of member countries. In addition to conducting its own research program, IICA seeks to help other Latin American research institutions in both the management and technical aspects of their operation; (3) Encouraging rural development and agrarian reform. The Institute conducts studies on various aspects of rural development and agrarian reform in Latin America and thereby seeks to encourage structural changes in rural economies; (4) Conducting research in basic crops and livestock with emphasis on the different ecological conditions, including tropical lowland and temperate upland farming patterns; (5) Operating an information and documentation center to serve the network of research institutions with which IICA is associated.

In 1972 IICA's Board of Directors authorized a program of studies, training, and assistance for the improvement of agricultural marketing in member countries. Centered at San Jose, the work is expected to encompass aid for all Latin America and Caribbean countries.

## INTER-AMERICAN DEVELOPMENT BANK<sup>9</sup>

### Background

The idea of a regional bank for Latin America is over 80 years old, having originated in 1889 at the First International Conference of American States. The Bank finally came into being in 1958 with the full support of the United States.

Although a completely independent organization, the establishment of the Inter-American Development Bank (IDB) was negotiated within the framework of the Organization of American States (OAS). Negotiations were completed and an agreement was signed in December 1959. Headquartered in Washington, D. C., IDB membership now consists of 24 countries from the hemisphere, including Canada and the United States. Originally, membership was restricted to members of the OAS. In 1972, the Articles of Agreement were amended to admit Canada and particular nonregional members. (For an analysis of the several regional development banks, see (36).)

The IDB is one of the most important financial institutions in the area. Its purpose is "to contribute to the acceleration of the process of social and economic development of the member countries, individually and collectively." The Bank seeks to "stimulate public and private investment in development programs and projects, mobilize funds for development loans and related purposes, assist the member countries in orienting their programs for greatest effectiveness, and provide technical assistance as required." A large portion of IDB loans are devoted to agriculture. During 1960-71, agricultural loans totaled the equivalent of \$1.16 billion, or 24 percent of total lending. Other investments in the area of water supply, farm-to-market roads, rural electrification, and export financing have also had a substantial effect upon the state of agriculture.

### Organization and Operations

Authority for Bank policy is vested in a Board of Governors representing the member countries. Voting on the Board is proportionate to the number of shares of stock held. The U.S. subscription is approximately 40 percent of the total; Argentina and Brazil each have 12.5 percent; and Mexico, 8.0 percent. Of the amount subscribed—\$3.56 billion as of December 31, 1971—\$472 million has been paid in and the balance is subject to call (19).

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<sup>9</sup>Much of the material in this section is drawn from the IDB publication, *Inter-American Development Bank, Structure, Resources, Operations*, July 1972.

The Board of Governors delegates power for Bank operations to the Board of Executive Directors. The Board of Directors has nine members; seven are elected by the Latin American members of the Board of Governors; one is appointed by Canada and one by the United States. The Executive Directors serve for 3-year terms and may be reappointed. The President of the Bank serves as Chairman of the Board of Executive Directors. The Executive Directors are headquartered with the Bank and function continuously, meeting as a Board of Directors as frequently as business requires.

The President of the Bank is elected by the Board of Governors for a 5-year term and may be reappointed. The Office of the President includes an Executive Vice President, a staff unit providing program policy counsel; a staff officer for Latin American integration; and an Office of the Auditor General concerned with internal audit and review of programs and projects.

Although plans are underway for organizational changes in 1973, the principal operating subdivisions of the Bank at the end of 1972 were the following departments: Operations, Technical Services, Finance, Legal, and Administrative. The Operations Department functions through three deputy managers for loans, project analyses, and for loan administration. The Technical Department is composed of four divisions: (1) economic and social development analysis; (2) training; (3) technical assistance; and (4) special studies.

The financial resources of the Bank include its ordinary capital fund and its Fund for Special Operations (FSO). Soon after operations began, the Bank also became administrator of the U.S.-contributed Social Progress Trust Fund. Within recent years, the Bank has also administered funds made available by nonmember countries outside the hemisphere.

## Ordinary Capital Resources

The amount of ordinary capital authorized for subscription has been increased from time to time during the 12-year operating period to meet the rising volume of Bank activities. On December 30, 1971, the Board of Governors voted an increase of \$2 billion, raising the Bank's total to \$5.5 billion. Of the new money authorized, \$400 million was to be paid in and the balance was callable capital. The U.S. portion of this would be \$823 million, of which \$150 million would be paid-in capital to be made in equal installments over a period of 3 years.

Ordinary capital resources available to the Bank include amounts repaid in loans from these resources, interest, and commissions collected by the Bank on loans made from these resources, and earnings from the Bank's investments. The Bank may also expand its resources by direct borrowings, bond issues, and other arrangements as authorized. In practice, the Bank has limited its bond issues sold on the open market to the callable capital subscribed to by the United States. This has assured the Bank of favorable terms for its issues. Terms on loans the Bank makes for ordinary capital resources reflect world capital market rates.

## Fund for Special Operations

The Fund for Special Operations (FSO) consists of contributions by member countries to permit the Bank to finance projects under concessional terms. Operations and accounting of the Special Fund are kept separate from that of ordinary capital resources. Members' contributions to the Fund are proportionate to their participation in the Bank's capital. The Fund's authorized resources have been increased on several occasions to meet growing needs for concessional financing by Latin American members. Originally set at \$150 million, the FSO was increased in 1964, 1967, and again in 1970. At the latter time, the equivalent of \$1.5 billion was approved by the Board of Governors, with the United States agreeing to seek authority to contribute \$1 billion. Repayments of loans, interests, and other earnings from the Fund are available for new operations.

Most of the Bank's agricultural loans are financed from the FSO. Interest rates from FSO to the more developed countries such as Argentina, Brazil, Mexico, and Venezuela are 3-4 percent, depending upon whether the loan is for a predominantly social or economic purpose. Starting in 1973, all loans will be repayable in the currency lent. Interest rates for the other countries are 2 percent for FSO loans except in the least developed countries where it is 1 percent during the grace period. A commitment fee of one-half of 1 percent per annum on the undisbursed portion of the loan is charged in addition to interest. Under particular circumstances a service charge of three-fourths of 1 percent is also charged. Loans have different grace periods and periods of amortization, depending upon the level of development of the borrowing countries. These vary from a maximum grace period of 5 years and a maximum amortization period of 25 years in the more developed countries, to 10 years and 40 years, respectively, in the lesser developed countries.

The average loan from the FSO covers about one-half of the project cost; the remainder is made up by the recipient country. At the 13th meeting of the Bank's Board of Governors in Quito, May 1972, new policy guidelines for FSO disbursements were outlined. These provided for preferential treatment for economically less developed countries and countries with insufficient markets (23).

## Trust Funds

Another kind of resource available for IDB operations are funds administered under trust arrangements stipulated by specific agreement covering the use of such funds. The Social Progress Trust Fund (SPTF) came into being under an agreement between the United States and IDB in 1961. Augmentation of this Fund in 1964 brought the total resources available to \$525 million. The Fund was used to finance on concessional terms projects to strengthen local institutions and to encourage use of Latin American funds

for social improvements. While the original Fund is now fully disbursed, activities formerly financed by it are now financed by resources of the FSO.

Repayments of loans made from the SPTF are used to purchase participations in FSO loans. SPTF is also used to finance technical assistance on a grant or reimbursable basis in particular fields, including agriculture. Many of the grants provided last year went to sponsor activities which could benefit the most impoverished segment of Latin America.

The Bank has made agreements with nonmember countries for funding operations, principally by issuing bonds for sale in those countries. Among other countries contributing to IDB financing under various cooperative arrangements are: West Germany, \$184 million; Japan, \$100 million; Canada, \$90.6 million; Italy, \$78.2 million; and Switzerland, \$73.3 million. Through December 31, 1971, funds raised in these and other nations were in excess of \$745 million.

### Development Assistance in Agriculture

IDB considers agriculture to be a most important sector in Latin American development; no sector received a larger amount of financial or technical assistance. Although actual loans for agricultural purposes were down in 1971 and 1972, the Bank continues to use a target of 20-25 percent of total funding.

During 1961-71, the IDB provided over \$1.1 billion in loans to agricultural sectors of Latin American member countries. While years of high lending in agriculture have tended to be followed by years of reduced programs, the 10-year (1961-70) trend has been upward in absolute amounts and as a percentage of total Bank program lending. In 1969-70, agricultural loans were over 30 percent of the Bank's total. This was followed in 1971 by a low of 14 percent, well under the 11-year average of about 24 percent (see table 7).

Table 7—Agricultural project loans as share of total loans, Inter-American Development Bank, 1961-72

Period	Agricultural loans <i>Million dollars</i>	Percentage of total loans <i>Percent</i>
Average:		
1961-2	57.2	11.9
1963-4	70.2	22.0
1965-6	70.8	18.8
1967-8	110.0	23.6
1969-70	219.0	34.5
1971	93.2	14.3
1972	130.0	16.0

Source: Internal IDB documents, especially *Banco Inter-American de Desarrollo, Resumen de Prestamos*, 1971, and *Annual Report*, 1972, issued May 1973.

Agricultural loans lagged again during most of 1972 and accounted for 16 percent of the Bank's lending for the year. Most of the agricultural projects are financed through the Special Fund and Trust Fund accounts; over \$880 million came from these sources and \$280 million from ordinary capital during the 11-year period.

The largest single category of funding in the agricultural sector is directed towards the 71 national agricultural credit facilities supported in part by IDB. Through these agencies, low-income farmers can obtain loans for machinery, seeds, fertilizer, and other new inputs which can enable them to raise production from subsistence levels. The Bank provides extensive technical assistance to these credit institutions in the form of training and guidance.

The next largest commitment is to elements of infrastructure considered vital to increased production such as irrigation, rural electrification, and transportation. The emphasis is on irrigation dams and canals. Again, special attention is directed to the needs of the small farmer. Mexico, for example, has been the recipient of a number of IDB loans for small irrigation projects which will eventually provide water to about 1.5 million acres.

The following tabulation shows total IDB agricultural lending in 1971:

	<i>Million dollars</i>
Credit institutions	56
Marketing facilities	2
Research and extension	6
Animal disease	27
Education	2

This breakdown reflects continued emphasis on providing credit facilities to small and medium-size farmers. It also demonstrates continued concern with strengthening the operation and administration of national credit institutions servicing them.

A number of loans have been concerned with animal health, primarily as part of a determined effort to eradicate foot-and-mouth disease of cattle in South America. Loans to Colombia and Venezuela in 1971 represented a planned program throughout the Southern Hemisphere to control, and eventually eliminate, this important economic disease of cattle. Support also goes to agricultural institutions of higher education for training, research, and extension.

Progress in production has raised new problems in marketing of agricultural commodities; consequently, marketing considerations are becoming increasingly important elements of each loan. The Bank is seeking to work with member countries in identifying needs and opportunities to make loans dealing with integrated marketing processes.

IDB has been exploring other subsectors of agriculture to determine possibilities for productive investments. Two of these - fisheries and forestry - have been explored in some depth to determine the policy criteria and guidelines for Bank investments in these fields. Loans prepared in accordance with these policies are under active consideration. Several preinvestment studies and project preparation efforts, financed from technical assistance funds, offer possibilities for future funding.

IDB has begun conducting agricultural sector studies in key subsectors, such as marketing and agro-industries, to identify projects consistent with national development priorities which could be considered by financing institutions, including the IDB. This process makes it possible to determine the technical assistance necessary to enable the borrowing country to develop the necessary data and institutional structures for sound project preparation.

## Technical Assistance

The IDB often requires that countries receiving loans use technical assistance on the project. At times the upgrading of institutional capability for a particular project must be completed before the staff of the Bank will present the loan to the Board of Executive Directors for approval. Furthermore, loan terms may provide that "software" must be completed before money is disbursed. Such terms may provide for the training of professionals or the creation of a new government unit.

Most technical assistance sponsored by the Bank is for specific projects and is financed on a reimbursable basis. It may comprise a substantial part of a loan. Almost \$400,000 of a \$3.7 million loan to the National Credit Bank of Nicaragua will be used to hire experts in agronomy, veterinary medicine, animal feeding, dairy farm operations, and business planning. Other agricultural loans have similar technical assistance provisions.

Financial assistance through its Preinvestment Fund or Project Preparation Programs or by means of technical assistance is offered by the Bank to help countries identify projects and to prepare the material necessary to submit the proposal to the Bank or to other financing institutions. IDB itself does not conduct project preparation missions. If the requesting government is not able to do so with its own technical resources, project preparation is usually carried out in one of two ways. First, the government may hire a consulting firm which is acceptable to the Bank. If Bank financing is involved, it approves the terms of the contract arrangements. IDB also has an arrangement with FAO to assist member countries to prepare agricultural loan projects. Most consulting firms acceptable to IDB and FAO have a good knowledge of Bank standards and thus prepare projects accordingly. IDB is often directly involved in the project identification stage of the loan process. IDB is also increasingly active as executing agency of UNDP grants for project identification and preinvestment surveys.

To implement the project after it is approved, the Bank will often assign (using resources of the loan) one or two experts to provide continued surveillance at the country level. Experts may also be sent to the field in the course of a project to study ways of raising working capital or take other steps necessary to permit the project to be executed in accordance with the terms of the loan contract and to meet its objectives.

Another area of technical assistance provided by the Bank includes broad sector surveys not related to specific projects. These surveys are done at the request of member countries to provide information for development plans and possible investment by the Bank or other lending institutions. The most recently completed studies of this kind involved agricultural surveys conducted by joint FAO/IDB teams in several lesser developed member countries for the purpose of identifying possible key fields of investment necessary to increase agricultural productivity.

## Training

IDB is also involved in training to facilitate its work with developing countries. The problem has two facets. Good projects for investment are lacking because in some countries there are not enough people trained to identify and prepare them. Second, there is a shortage of technical knowledge and ability to implement the needed changes vital to agricultural development. The IDB training programs contribute to the solution of these problems.

A major element of the IDB program is the training of professionals for project identification and preparation. This activity is carried out in cooperation with the Inter-American Institute of Agricultural Sciences (IICA). Courses include materials on the theory and practice of project preparation. Courses have already been held in Argentina, Brazil, Colombia, Ecuador, Honduras, Nicaragua, and Peru. Three courses a year are planned for the next 2 years, one in each of the three IICA regions—Central America, the Andean countries, and Southern Latin America, including Brazil.

The second most important aspect of IDB training is in agricultural production. One program is carried out with the International Center for Tropical Agriculture (CIAT) in tropical areas. Another series is conducted in cooperation with the International Maize and Wheat Improvement Center (CIMMYT) involving new technology for production of those commodities. During 1970-73, five courses are projected for the tropical training program—three in agriculture and two in livestock production at CIAT. Six courses are planned at CIMMYT, three in each commodity.

A third area of Bank training activities includes various seminars primarily for government officials. Many seminars are held at the Bank's headquarters in Washington and are designed to engender interest and understanding of problems in agricultural development. An important seminar on rice, financed in part by the Bank, was held at CIAT in 1971 to discuss implications of the rapid spread of new and highly productive varieties developed by the Inter-

national Rice Research Institute (IRRI) in the Philippines. The seminar was attended by high-level government officials in planning ministries. Other seminars of this type are planned on the impact of the "Green Revolution" in Latin America.

The Bank is particularly concerned with the problem of extending to small farmers the benefits of new seed varieties and modern agronomic practices. The "Puebla Project," conducted by CIMMYT, and financed in part by UNDP, demonstrates that this is a very difficult and complicated process, especially in isolated areas of indigenous populations. Much research still remains to be done on the elements of this process, and the Bank is exploring ways of contributing to this effort.

## ASIAN DEVELOPMENT BANK

### Background

The idea of establishing a regional development bank in Asia was conceived by the United Nations Economic Commission for Asia and the Far East (ECAFE) in 1963. The Asian Development Bank (ADB), headquartered in Manila, was formally opened for business on December 19, 1966. The Bank was established to lend funds, promote investment, and provide technical assistance to developing member countries, and to foster economic growth and cooperation, generally, in the Asian region. The Bank is now an active international development finance institution.

The Bank has two important features. First, it is an Asian bank, situated in and serving the ECAFE region. Twenty-three countries located within the region provide substantial Asian participation in its financial support and management. The President and seven of the 12 directors come from the region. Second, the membership of the Bank extends beyond the region; outside Asia, 14 countries, including the United States, Canada, and many developed countries in Europe, have contributed to the Bank's capital and are represented on the Board of Directors and the professional staff of the Bank.

The Bank's funds are derived from capital stock subscriptions by its members and special funds made up of contributions from some of the member countries. The Bank has also raised funds in the world's capital markets.

### Organization and Operations

Representatives of the member countries compose the Asian Development Bank's Board of Governors. Voting power on the Board is proportionate to the amount of capital shares subscribed to by the member countries. The United States and Japan each hold 16.5 percent of the total; Australia and India together have 15 percent, and the remaining votes are distributed among the other regional and nonregional member countries (3, 4). These voting proportions may be altered somewhat as a result of the increase in ordinary capital resources voted in November 1972, but not yet subscribed to by the United States and several other countries. A Board of Directors has responsibility for operating policies of the Bank and similarly represent the member countries. The principal member countries each have one Director on the Board; the other member countries are paired off to elect Directors to represent groups of two or more countries. Thus the United States, Japan, India, and Australia have individual Directors; the Philippines and Pakistan elect one; France, Italy, Belgium, and Switzerland elect another one, and so forth.

Operations of the Bank are carried on under its President, who is elected by the Board of Governors for a 5-year term. There is an Operations Department, a Projects Department, and an Administration Department; the Office of the General Counsel provides legal counsel and an Office for Economics provides economic and statistical analyses.

The Bank's ordinary capital resources are made up of capital stock subscribed to by the member countries and the funds the Bank raises through the sale of bonds in the money markets. Of the original subscribed capital of \$1 billion, half is paid-in and half is subject to call. In November 1971, the Board of Governors approved a resolution calling for a 150-percent increase in authorized capital from \$1.1 billion to \$2.75 billion, of which 20 percent would be paid-in and the balance subject to call. On November 23, 1972, the increase became effective when Bank member countries subscribing to more than two-thirds of capital stock offered had deposited appropriate instruments with the Bank.

In addition to ordinary capital resources, the Asian Development Bank also has resources set up as Special Funds. These are funds contributed by developed member countries on a voluntary basis, plus some funds set aside from the Bank's paid-in capital. As of December 31, 1972, there were \$233.1 million in Special Funds, divided as follows: Technical Assistance Special Fund—\$9.9 million; Agricultural Special Fund—\$24.6 million; and Multi-Purpose Special Fund—\$198.6 million. The U.S. contribution toward the Special Funds—\$1.25 million—is earmarked for technical assistance. An additional \$100 million U.S. contribution was authorized in March 1972, but Congress has not yet appropriated funds for payment. Japan has been the largest contributor to the Special Funds accounts, providing over \$100 million. Lending from Special Funds resources began in mid-1969, and this phase of the Bank's operations has grown steadily, reflecting the need for concessional financing in the developing countries of the region. The ADB Management has proposed consolidation of the Multi-Purpose Special Fund and the Agricultural Special Fund into a single unified fund, to be replenished at regular intervals by contributions from developed member countries of the Bank.

Bank operations consist principally of financing specific projects to foster economic growth and cooperation among the developing countries. The limited resources available to the Bank in comparison with the total needs of its developing members require a careful and judicious selection of projects. A general review of a country's economic development, with emphasis on the national and sectoral development programs and aspects, is therefore a prerequisite to the selection of projects. After confirming that a project is located in a sector which justifies investment, the Bank undertakes economic evaluation of the project. Only those projects with sufficient economic justification are considered for financing. The Bank is also concerned with overall financial arrangements for a project, and, in the case of a revenue-earning project, an appropriate financial return needs to be evidenced. Projects are

also expected to be sound in technical, organizational, and managerial aspects. In this connection, the Bank provides technical assistance, either on a reimbursable or nonreimbursable basis, to help its developing member countries identify and prepare projects.

The Bank does not emphasize one sector of a country's economy in the process of project selection; but the requirements of a country's current development strategy may lead to concentration at times in a particular area. Nevertheless, it is expected that in the long run the range of the Bank's operations in different economic sectors will be substantially diversified.

Criteria similar to those used in the selection of projects financed from Special Funds have been used for projects financed from the ordinary capital resources of the Bank. Generally, projects are selected which have a distinct and justifiable priority in the development plans of the countries concerned and which could generate substantial economic benefits, though not always direct financial or foreign exchange returns.

There is no predetermined country allocation for Special Funds loans. The general guideline followed by the Bank has been that no developing member country should be denied access to such loans. While recipients have usually been the less developed of the developing member countries, Special Funds loans have been made for projects related to agricultural development, communications, infrastructure, and technical education in other developing member countries.

## Development Assistance in Agriculture<sup>10</sup>

### Loan Operations

The Bank's operations for financing of investment projects in agriculture and related fields began in 1968 with a loan from the Bank's ordinary capital resources for the modernization of the tea industry in Sri Lanka (Ceylon). Operations increased in the following year when Special Funds resources accounted for slightly over half of the Bank's loan commitments for the agricultural sector. During 1967-72, 31 loans totaling \$124.7 million were granted, of which 21 loans amounting to \$79.5 million were from Special Funds resources and 10 loans amounting to \$45.2 million were from the ordinary capital resources of the Bank. The 31 loans were given for 28 projects; in three cases, a blending of "soft" and "hard" funds was undertaken, resulting in two loans each for the projects concerned. In 1972, five loans totaling \$32.8 million were approved; four of the loans (\$19.5 million) were from the Bank's Special Funds and one (\$13.3 million) was from ordinary capital resources.

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<sup>10</sup>This section is drawn from the Bank's *Annual Report* and a memorandum from U.S. Director of the ADB to USDA, January 1973.

Loans for area and water resources development account for 44 percent of the Bank's investments in agriculture. During 1967-72, such loans, which include funds for irrigation, drainage, and flood control construction and related development, accounted for 14 of the 31 loans and for the \$44.2 million of the total amount of \$124.7 million given to the agricultural sector. This concentration is explained by the fact that an assured water supply or effective water control is very often a prerequisite to realizing high crop yields through a package application of improved seed, fertilizer, and production techniques.

An integrated approach has been followed by the Bank in its project appraisals for area and water resources development. A thorough assessment is made to ensure financial support for every aspect of the project, either from the Government, if it concerns local currency expenditure, or from the Bank, for expenditures in foreign exchange. The Bank had recourse to mixed financing in the Walawe Project in Sri Lanka and the Besut Project in Malaysia. The agricultural expenditures of these projects were financed from Special Funds, whereas the expenditures on rice mills and tractors which were to be operated under commercial conditions were financed from ordinary sources. Four of the remaining 10 projects were located in Indonesia, two in Nepal, and one each in Afghanistan, Laos, the Philippines, and the Republic of Vietnam.

The second group of agricultural projects for which the Bank has made loans over the past 6 years concerns *industrial crops and agro-industries*. These loans absorbed 20.3 percent of the total loan amount for the agricultural sector. During 1967-72, the Bank granted eight loans of this type for a total amount of \$25.2 million, of which three loans for \$11.8 million were from the Special Funds and five loans for \$13.4 million were from ordinary capital resources. The five loans from ordinary capital resources relate to projects with an exclusive or predominant industrial character; that is, tea factory modernization in Sri Lanka (two loans), oil milling in Malaysia, rice milling in Pakistan, and jute processing in Nepal. The last project comprises an agricultural component. In view of this and also in consideration of the financial situation of the borrower country, a blending with soft funds was undertaken. Exclusive Special Funds financing was given for two oil palm and rubber projects in Indonesia in which the agricultural component predominates.

For development of *fisheries and livestock* the Bank has thus far granted seven loans amounting to \$38.5 million, about 31 percent of the total loans for the agricultural sector; four loans for 30.0 million were from ordinary resources. The last three loans were granted for comparatively large fisheries projects of an industrial and commercial character in the Republic of China (Taiwan), Korea, and Pakistan. Special Funds financing was extended for three smaller fishery projects in Indonesia, Sri Lanka, and the Republic of Vietnam, and for a beef cattle pilot project in Western Samoa.

In the field of *agricultural credit* the Bank has financed two projects from Special Funds resources. The first was a loan of \$2.4 million to the Agricultural Development Bank of Nepal in 1970 for the financing of irrigation pumps and agricultural tractors. The second loan of \$3.4 million was granted to Bank Rakjat Indonesia in 1971 to mechanize and modernize its extensive network of banking operations.

### **Technical Assistance Operations**

In agriculture, the Bank's lending operations have been interwoven with technical assistance activities to a greater degree than in any other sector. The Bank has undertaken 37 agricultural technical assistance projects involving US\$5.9 million. Of these, 33 projects totaling US\$5.4 million were advisory, project preparation, and project implementation technical assistance to National Governments; and four projects, costing \$449,000, were regional activities.

During the first 2 years of the Bank's operations, technical assistance for agriculture provided to National Governments was limited to assistance of an advisory nature. Technical assistance for project preparation and implementation began in 1969, and has now become more important than the advisory technical assistance provided. During the 6-year period 1967-72, agricultural technical assistance at the national level comprised 33 projects in eight different countries, involving a total financing of \$5.4 million. Five of these projects were approved by the Bank in 1972.

Up to the end of 1972 advisory technical assistance to individual member countries consisted of 11 projects, ranging over a wide field and involved financing of \$1.4 million. Two of the projects provided assistance to governments in framing their overall agricultural policies: the first was to Indonesia in 1968; and the second to Afghanistan in 1970. In the latter, a detailed study made by the Bank on the planning of the entire agricultural sector in Afghanistan has become an important document for the formulation of agricultural policy and has also identified investment priorities and projects. Technical assistance for integrated area development was given for three projects in Thailand and Laos and has similarly resulted in the identification of investment opportunities.

Technical assistance for project preparation has thus far been given for 15 projects, involving financial commitment by the Bank of \$2.6 million. Most of the projects approved in 1970 or earlier subsequently led to loan financing by the Bank. The Bank has also provided technical assistance in connection with project implementation. By the end of 1972, six countries had benefited from seven such projects totaling \$1.4 million.

### **Regional Projects**

The Asian Development Bank has also helped finance projects which have development value for a number of member countries. At the regional level,

the Bank's first undertaking in the agricultural field was the Asian Agricultural Survey. This survey was commissioned in July 1967 and completed in March 1968. The study, which provided an inventory of resources and identified problems in the fields of rice and upland crops production, plantation industry, livestock, fisheries, and forestry development, and of irrigation, agro-industries and rural institutions, was examined critically by international experts and national representatives at the Regional Seminar on Agriculture held in conjunction with the Second Annual Meeting of the Bank in April 1969. At the Seminar, attention was focused on crucial aspects of development and their policy implications which continue to guide the Bank in its agricultural operations.

Financial assistance to the Asian Vegetable Research and Development Center has been another regional project. Jointly financed by seven member countries of the Bank, the Center was inaugurated in May 1971 and has already started its operations. The Bank agreed in March 1969 to contribute towards the Center's operating cost for 2 years. Earlier concern regarding food shortages has lessened as a result of advances in new technologies for rice and wheat, and the Center's program includes studies that may lead to greater crop diversification.

The latest ADB activity at the regional level, a Workshop on Irrigation Water Management, was conducted in January 1973. The Workshop, attended by project managers and experts in relevant fields, was aimed at helping expedite implementation of 13 ADB-assisted irrigation projects and contributing to the standardization of the Bank's procedures for implementing pilot schemes in connection with irrigation projects.

In accordance with its Charter, the Bank has cooperated with the World Bank and other regional development banks, and with the United Nations and its various specialized agencies. Technical assistance for the Laguna de Bay Project in the Philippines and the Go Cong Pioneer Agricultural Project in Vietnam, both approved in mid-1972, are the first cases in which ADB has assumed the role of Executing Agency of a UNDP project, either directly from UNDP or through the delegation of responsibility by IBRD. Further cooperation of this kind is anticipated, particularly with respect to the Mekong Pioneer Agricultural Projects.

## THE AFRICAN DEVELOPMENT BANK

### Background

The African Development Bank is a regional effort to improve economic cooperation in the area and to foster greater economic growth among member nations. The Bank was established in September 1964 under auspices of the United Nations Economic Commission for Africa. A committee of nine states, established by an ECA resolution of 1962, prepared a draft charter for the financial institution. At a meeting of finance ministers at the Khartoum Conference of August 1963, 22 African states signed the protocols establishing the Bank. The Committee of nine was then recommissioned for the purpose of encouraging ratification of the agreement by other African states and drafting arrangements and procedures for the Bank's operation. As of March 1971, 32 African nations had affirmed membership in the Bank. Membership is not open to nations outside the region, but the Bank has welcomed outside capital contributions.

The Bank's objectives, as stated in the preamble to its articles of incorporation, are: "to contribute to the economic development and social progress of its members - individually and jointly." The Bank seeks to provide financing for investment projects and programs, giving priority to those that will benefit more than one African state and further inter-African trade and the economic integration of the region. To accomplish these ends, the Bank works to mobilize both African and non-African financial resources, and to provide the technical assistance to member countries for study, preparation, and execution of projects and programs.

Because membership is restricted to nations in the region, the African Development Bank has less capital resources than the other regional development banks. Its authorized capitalization is \$250 million. Offers of cooperation and capital and technical assistance were made by the United States and other governments outside the region and by IBRD and IDB and the United Nations as well. Like the other international development banks, voting power is linked to a country's capital subscription. In the African Development Bank, no nation has as much as 10 percent of the voting strength; the United Arab Republic (Egypt), Algeria, and Nigeria are the three largest capital subscribers. Operations began in the Bank's headquarters in Abidjan in July 1966 (6, 32).

Subscriptions are allocated among the members using a formula that takes into account population, GNP, foreign trade, and balance of payments. About half of the amount of capital subscribed to is paid-in (in either gold or convertible currencies) and the remainder is callable. The Board of Governors may increase the amount of capitalization and the Bank may borrow capital

on the private money markets. But there has been some initial difficulty by some member countries in depositing the required paid-in capital; hence, operations have been slowed.

## Organization and Operations

The Bank is organized into five operating divisions: Preinvestment Division, Operations Department, Finance Department, Legal Office, and Office of the Secretary General. The Operations Department is divided into three divisions: Loans, Projects, and Economics. The Preinvestment Division is operated jointly with the UNDP.

The Bank's staff is drawn primarily from member countries in Africa. It often adds expertise to its operations through the use of consultants; the Bank encourages the creation of African consulting firms and turns to them as well as others for needed external assistance.

Although the African Development Bank is not a part of the United Nations system, it works closely with several of the specialized agencies. The Bank has a special agreement with FAO and UNESCO for project identification and preparation in agriculture and education.

Like the other development banks, the African Bank uses two types of capital resources: One is ordinary capital which is made up of paid-in capital of the member countries and monies borrowed in the private money market; a second is special fund resources which are created by voluntary contributions of countries in the region or outside, and earnings of the Bank which may be put into the special fund. Ordinary capital resources are used for the Bank's operations and for financing projects according to conventional banking terms. The special funds provide financing on concessional terms and often carry special provisions set by the donor—including tied purchasing of goods or services that may be required for the project.

A number of West European countries have indicated willingness to contribute to an African Development Fund, the institutional entity for special fund resources. The United States has supported the principle of an ADF, but has made no financial commitments to such a fund.

In 1970, the Bank established a private development finance company, the Societe Internationale pour les Investissements et le Developpement en Afrique (SIFIDA) to attract development financing from non-African financial institutions for private enterprises in Africa. SIFIDA's shareholders are commercial banks and private corporations in Western Europe, Japan, and the United States. The eight U.S. shareholders have about 12.5 percent of the equity in SIFIDA.

The African Development Bank seeks to be a bank of "last resort"; it does not compete with private banks to fund projects which may be financed through commercial institutions. The Bank is empowered to make project loans or to facilitate borrowing by guaranteeing loans for an institution—public or private, national or international—concerned with African develop-

ment. The Bank gives priority to projects which may be integral parts of national or regional development plans. In placing loans, the Bank usually charges interest of 5 to 6½ percent with maturities of 5 to 20 years. These terms are often better than the borrowing entities may obtain from other financial institutions. To conserve its capital and to ensure adequate local involvement in the proposed project, the Bank requires 50 percent of the project funds to be provided from local sources. The Bank has also set upper limits on its project loans to broaden its base of operations, while staying within its limited resources.

The African Development Bank has moved with caution in making its first loans; disbursements in 1967 were under \$3 million. But by 1970 loans exceeded \$10 million, and 1971 disbursements were about double the 1970 level. During these years, the Bank has also been involved in studies designed to prepare projects for financing by other financial institutions.

### Development Assistance in Agriculture

The performance of the agricultural sector varies among African countries but most suffer from low productivity. At the same time, the vast majority of people in Africa are engaged in agricultural pursuits and their earnings remain low. Hence the Bank has given high priority to assisting the agricultural sector of its member countries. The African countries themselves have become increasingly aware of the importance of agriculture in overall development and of the need for investment in agricultural modernization. Nevertheless, the Bank and its member have encountered difficulty in identifying suitable projects for Bank financial assistance.

In its 1971 report, the African Development Bank noted production gains, but unevenness in the progress of countries where it has provided financial assistance. Despite increased use of fertilizers and expanded acreage, poor weather conditions adversely affected agricultural production in Kenya, Liberia, and Nigeria. On the other hand, significant gains were recorded in Morocco where more fertilizer was used for grains, and in Egypt where rice and wheat production influenced by new seed varieties continued upward trends. Increased investments in fertilizer also contributed to increased crop production in Malawi, Tunisia, Togo, and Ethiopia.

As of December 1971, approved Bank loans totaled almost \$50 million. Of this amount, \$5.3 million were made during 1967-69 (\$2.7 million in the agricultural sector); \$14.3 million in 1969-70 (no loans in the agricultural sector), and the remainder, over \$29 million in 1971 (\$5.8 million in the agricultural sector) (1). Kinds of financing undertaken by the African Development Bank in the agricultural sector include:

- Credit for financing a dairy plant project (Algeria).
- Financing for constructing a fertilizer plant (Ivory Coast).
- Loans for expanding a sugar processing enterprise (Nigeria).
- Financing the construction of three livestock quarantine stations (Sudan).

## ORGANIZATION OF AMERICAN STATES<sup>11</sup>

### Background

The charter of the Organization of American States was signed at the Ninth International Conference of American States, April 30, 1948, in Bogota, Colombia. The longstanding concern of the OAS and its predecessor organizations with the problems of agricultural development is evidenced in the creation of the Inter-American Institute of Agricultural Sciences in 1942, and as far back as 1930, in the convening of the First Inter-American Conference on Agriculture. Responsibility for programs in the field of agriculture rests mainly in the Economic and Social Council of the OAS. The objectives of the Council are to promote the economic and social welfare of the American countries by fostering their cooperation in the best use of their natural resources, their agricultural, industrial, and commercial development, and the raising of the standard of living of their peoples. In the first 2 years following its creation, the Council began a study of the region's economic problems, concentrating on coffee and fiber production; by 1950, the Council had established a technical assistance program.

At present, the OAS has a wide range of activities in the field of agriculture, including programs in research, technical assistance, and training, which are the responsibility of both the Economic and Social Council and the Scientific, Educational, and Cultural Council. These activities are carried out through the Departments of General Development Affairs and Studies, and the Office of Regional Development. Their programs are described briefly below:

#### Agricultural Programs in the Department of General Development Affairs and Studies

The agricultural program in the Department of General Development Affairs and Studies is centered on general sector policies at the national level. The program includes: research on specific problems as well as on the sector as a whole; projects in technical assistance provided directly by the Department's staff or external experts; and training which is offered in specialized OAS centers, or by *ad hoc* courses in institutions of third countries.

The Department carries out two types of research, one related to the activities of the Inter-American Committee of the Alliance for Progress (CIAP), and the other oriented toward the analysis of particular aspects of agricultural development.

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<sup>11</sup>This section is based largely on an unpublished report prepared by the Department of General Development Affairs and Studies, OAS, for this survey.

The CIAP's yearly reviews include an overall evaluation of the agricultural sector, recent developments, and shortrun and mediumrun projections. These indepth reviews deal with the main aspects of the agricultural sector. Follow-up reviews, usually made after several years, serve to update previous studies. An intermediate review falls somewhere between the two previously mentioned types. Usually six indepth country studies are undertaken each year along with two or three followup and intermediate studies. As a result each country should receive an indepth study every 3 years. Sometimes these analyses are made on a regional basis: groups of countries with common characteristics or problems requiring coordination in their solution are studied together.

Research projects not directly related to the CIAP reviews are conducted on special aspects of agricultural development representing serious problems at the regional level, or those which, although referring to a particular country, can shed light on similar problems in other countries. Studies of this kind are often presented as background material or proposed position papers before appropriate organs of the Pan American system, and lead to general recommendations to the member countries or joint declarations of policy. Recent examples of this type of research are the studies on the state of Latin American agriculture, strategies for rural development for the seventies, use of fertilizers in several countries, effect of currency overvaluation on agricultural trade and production, the agricultural economy of Colombia, and a study on agrarian reform as related to resource distribution and agricultural productivity.

### Technical Assistance Projects

Technical assistance is provided to member countries at their request. Technical assistance in agriculture often has high priority in national programs. These programs are evaluated through a formal procedure, using as a main criterion the conclusions reached in the CIAP country reviews. Assistance is granted according to the availability of resources.

The Department conducts an average of six technical missions in agriculture a year, which represent some 50 man-months. About 5 percent of this work is done by staff members. Recent examples include: a mission on hydrology and another on sugarcane crop mechanization, both pertinent to an ongoing project in horticulture; a mission on agricultural extension, one on regional agricultural planning, and another on agricultural marketing.

### Training Projects

Agricultural training in the Department of General Development Affairs and Studies is geared to support the technical assistance efforts and is channeled mainly through the Secretariat's Special Training Program (PEC).

PEC provides training opportunities in different countries, particularly in Europe, United States, and Israel, where knowledge in some specific agricul-

tural matters of importance for developing countries has advanced to a high level. The role of the Department is to pinpoint specific needs for training, and to identify the training facilities in advanced countries.

The Department is currently involved in 11 agricultural courses, including agricultural planning, artificial insemination, and fruit crops technology. These courses are offered with varying frequency and accept from two to 25 trainees. In 1971, six courses were scheduled and in 1972, two courses.

### Agricultural Programs in the Department of Social and Institutional Development

The Department of Social and Institutional Development (DSID) approaches its work in agriculture from the viewpoint of promoting more farmer participation in the process of development. Agricultural projects take about 20 percent of DSID resources. Operating mainly through DSID's Rural Development Program, these projects include local rural development, cooperatives, and community development.

Local rural development activities are particularly oriented toward micro-planning problems. A relatively new program, its main instrument has been the joint OAS/Israel/IADB Project which is providing interested countries interdisciplinary teams of experts to guide and train national technicians in the formulation and execution of rural microplans and investment projects for integrated rural development.

Another objective is to strengthen cooperatives and the government agencies responsible for their promotion as a means of improving rural life. During 1972, DSID sent 17 technical assistance missions to 10 countries, organized nine courses and five seminars, and trained 103 Latin American technicians in different aspects of cooperatives, including transportation and management.

As part of its agricultural program, DSID is helping to promote policies and programs for rural community development and social welfare in member countries. DSID activities deal only partially with agricultural problems, but projections for future activities assign a more prominent role to the problems of rural development and higher priority to modernizing all aspects of rural life.

### Agricultural Programs in the Department of Scientific Affairs

Agricultural development is a subject of great interest also to the Department of Scientific Affairs (DSA). The principal activity of the DSA in the field of agriculture is the Multinational Project on Agricultural Sciences. Started in 1968, this project seeks to provide the Latin American countries with training, research capability, and technical assistance to overcome barriers of a techno-scientific nature that confront the agricultural sector. The Agricultural Sciences Project works through several national institutions

established in countries with high levels of experience in certain fields. The Project supported courses in nutrition, animal genetics, soil, grazing, breeding, statistics, microbiology, etc., providing 335 man-months of training, plus \$34,000 in equipment, during 1971 and 1972.

## Agricultural Programs in the Office of Regional Development

The Office of Regional Development (ORD) approaches agricultural development from the viewpoint of identifying potential resources, designing of techniques and methodologies for resource evaluation, formulating projects for use at the regional rather than the national level, and establishing provisions for their sound administration. The agricultural program constitutes almost 40 percent of ORD resources. The ORD carries on its program in two ways: (1) strengthening institutional capacity in the member countries through technical assistance to national organizations involved in resources development and training of local technicians, and (2) providing technical assistance in surveys to determine development possibilities in selected regions such as river basins.

The ORD is also involved in providing training through the Inter-American Program for Project Evaluation and Formulation, offering courses at different levels for project managers and others. Courses are also conducted within the PEC framework on subjects such as soils, geology, hydrology, survey of underground waters, utilization of forest resources, and administration of integrated natural resources surveys. About 100 Latin American technicians benefit from these courses annually. A project in formal academic training in economics and natural resources management is being carried on by ORD in cooperation with U.S. universities.

The ORD projections contemplate a significant increase in agricultural development works, particularly in water resources projects and in the conservation, development, and administration of forest resources. Its agricultural program will emphasize advising the national planning organizations on determination of data needs, design of surveys, interpretation of survey results, gathering data on natural resources, and preparation of long-term plans on the kind of research required to implement established policies on regional development based on the availability of natural resources. Instrumental to the accomplishment of these objectives is the establishment of a regional facility for natural resources development training.

## EMERGENT ISSUES AND INSTITUTIONAL ARRANGEMENTS

During 1960-69, efforts of international organizations to stimulate agricultural development were directed primarily at increasing production of basic food crops. The reason was clear. Production of food in developing countries lagged behind population increases. When a serious drought hit South Asia in 1965 and again in 1966, millions who were chronically short of food faced starvation. Heroic efforts by the concerned peoples of the world mitigated a calamity of unprecedented proportions. With the help of new priorities and policies and improved technology, Asia boosted its crop production dramatically in the remaining years of the decade.

Increased production of foods is a continuing concern of the developing countries, but the need is less urgent for many of them. In FAO's *State of Food and Agriculture, 1972*, the record shows a continuing world increase of food production. But during 1971, this increase was centered in the developed market economies. Among the LDC's, there was no gain in 1971 on a per capita basis over the base period, 1961-65. In Latin America and in Africa, per capita production was lower in 1971 than in the earlier period (15, p. 2). Nevertheless, in the interest of overall national development, many who are concerned with agricultural programs see the need for going beyond production programs to make a broader attack on the problems of agriculture and rural economies.

### Goals and Targets—The UN's Second Development Decade

The most broadly based international development goals are those subscribed to by the member nations of the UN for the second development decade—the 1970's. While stated in general social and economic terms, the development goals set by the UN do carry implications for the agricultural sector of developing (and developed) nations. Particularly germane for agricultural development are:

#### Targets of LDC Growth and Donor Assistance

Growth rates targeted for LDC's of 6 percent per annum overall and 4 percent for their agricultural sectors will not be easily attained. Since agricultural growth in the developing countries averaged only 2.7 percent during the decade of the sixties despite massive worldwide efforts and technological advances, the UN goal would require an expansion of such efforts. The crop failures in the fall of 1972 in India and the African states bordering on the Sahara, the plight of Bangladesh, and the precarious food-population balance in many Latin American countries all attest to the need for continued high

priority to agricultural sectors and sustained high levels of development assistance. The aid target of 1 percent of donor country GNP with 0.7 percent in official development assistance was approved by the UN Economic and Social Council and by the General Assembly (but not agreed to by all donor countries).

### International Trade Targets

The goals set by the United Nations for LDC's are an increase of somewhat less than 7 percent in imports and somewhat more than 7 percent in exports for the development decade of the 1970's. Since many of the exports would be agricultural commodities and since LDC growth in agricultural output is targeted at 4 percent, the increase would affect the current trade patterns of developed as well as less developed countries. Hence, some developed countries have questioned the views contained in FAO's study of international agricultural adjustments needed to facilitate growth of LDC exports.<sup>12</sup>

### The UN Socioeconomic Goals

In the socioeconomic area, the UN goals concerned with income levels and distribution also have implications for rural development programs of the member governments and multinational aid agencies. Problems and issues raised are different from those associated with improving technology and raising production. The UN goals and strategies for the Second Development Decade raise the issue of a UN role in bringing about income transfers from the more developed countries to the less, and within less developed countries from the affluent to the poor. The formulation of socioeconomic goals and the means to achieve them are usually handled through each country's own political process, and sovereign nations are reluctant to open up this process to external international agencies. Hence, debate is spirited in forums such as the FAO on the subject of agrarian reform, with its implications for structural changes in agricultural economies and equity considerations in agricultural policies.

### Trade and Development—UNCTAD

For a number of years those concerned with economic growth of low-income countries have pointed out the interconnection between trade and development. (See, for example, 17, 24, 29, 30.) In 1964 a meeting was held in Geneva under UN auspices which addressed itself to these problems. This

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<sup>12</sup>The FAO paper suggests that the international adjustment needed for the less developed countries to attain their export target might best be met by a reduction in the share of the market taken by the more developed countries, and that tariff and other barriers should be reduced to facilitate this.

meeting, referred to as the UN Conference on Trade and Development (UNCTAD), created permanent machinery under UN auspices to deal with the problems of trade and development—a Conference to meet each 4 years, a Trade and Development Board (TDB) to meet annually, and standing committees of the Board concerned with commodities, manufactures, financial issues, and shipping. (The TDB, composed of 55 member countries, acts as a continuing governing body and holds several policy meetings each year.)

An important outcome of the first UNCTAD meeting was a new unity among developing countries permitting them to win passage of a set of “principles” on trade relations that the United States and most other developed countries would not fully accept. UNCTAD II was held in New Delhi in 1968 and was preceded by a meeting in Algiers of representatives from 77 LDC's to plan a common strategy for the Conference. While UNCTAD II fell short of LDC aspirations, it achieved some progress on the major issues before the delegates. A system of generalized preferences for developing countries was formulated. The Conference also adopted the UN goal of 1 percent of GNP of developed countries as a reasonable target for net financial transfers to LDC's.

UNCTAD III was convened in Santiago in the spring of 1972. It was preceded by a meeting of LDC's in Lima which issued a paper on principles of international economic behavior for developed and developing nations. The work of UNCTAD III was divided among a number of committees and three special work groups. The committees were those in which the work of UNCTAD had previously been organized, namely: (1) commodities, (2) manufactures, (3) finances, and (4) invisibles (including shipping, tourism, and insurance). In addition, two new committees were established for the Conference—one on trade relations among countries with different economic systems and the second on providing additional assistance for the least developed among the developing countries. Three working groups were also established: (1) institutional arrangements for increasing the effectiveness of UNCTAD, (2) intra-LDC trade, and (3) the transference of technology. Discussions concerned agriculture were carried on principally in Committee I, although a number of the other committees dealt with matters of importance to the agricultural development of the LDC's.

Among the major issues debated by the UNCTAD delegates were:

#### **Trade Issues:**

The trade issue given most attention was LDC participation in negotiations under GATT so they might have a voice in the 1973 sessions and their interests taken into account. The trade issue of a system of generalized preferences to favor the exports of LDC's took the form in UNCTAD III of seeking wider agreement on the system. The questions of LDC diversification, of market access, and of nontariff barriers affecting the export of commodities from LDC's to the more affluent countries were also debated, as were shipping conferences and the rate-setting process.

## **Financial Issues**

Among these issues were the provision of “Special Drawing Rights” within the framework of the International Monetary Fund to provide additional financial assistance to the developing countries. The LDC’s also raised the issue of their participation in monetary reforms and the process by which international monetary decisions were made.

## **Aid and Development Issues**

Under this topic there was particular concern to reassert a level of financial transfers in line with UNCTAD’s goal of 1 percent of GNP by the developed countries (and 0.7 percent by official transfers). Another issue was the special problems of the least developed among the LDC’s and of landlocked countries. The United States supported the idea of special assistance for the least developed among the developing countries.

## **The Role of UNCTAD**

The LDC’s sought to make UNCTAD a stronger instrument in support of their trade and development interests and to link it with an appraisal of progress toward the UN’s goals for the Second Development Decade. The U.S. position was to avoid having UNCTAD impinge on or duplicate the work of GATT and other organizations in the UN family.

The UNCTAD meetings provide another forum in which the less developed countries may exert pressure on the more developed countries for increased aid and better terms of trade. And since the economies of the LDC’s continue to be principally agricultural, there are implications for agricultural policies in both LDC’s and the developed countries. Resolutions passed in UNCTAD meetings largely reflect the views of the LDC delegates who represent a preponderance of the member countries.

UNCTAD’s substantive committees and its Trade and Development Board (TDB) permit a continuing dialog between developed and less developed countries on critical trade and development issues. On the basis of its meetings in July 1971, the TDB provided the UNCTAD Secretariat with guidelines for work on diversification problems and on a survey of resource and development activities concerning natural products which face competition from synthetics. The TDB also approved the technical assistance activities carried out by UNCTAD, particularly its participation in the International Trade Center at Geneva. This Center, jointly sponsored by UNCTAD and GATT, executes UNDP projects for training officials of LDC’s in export marketing techniques and undertakes market surveys and publications of interest to developing countries.

UNCTAD and TDB thus represent an institutionalization of LDC efforts to secure more favorable terms of trade and a larger voice in the process by which international decisions are made affecting LDC trade and development.

## Agricultural Commercialization and Rural Development

The developing countries are seeking assistance from multilateral agencies for the commercialization of agriculture and for the development of agro-industries. Commercialization means modernization for most. Their efforts arise out of a concern to generate employment as well as to increase output for market. The need to earn and save more foreign exchange is another factor; if LDC's can manufacture their own fertilizers and related farming inputs and process more of the commodities they import and export, their foreign exchange balances can be improved. Still another factor is a growing recognition of the interrelatedness of agricultural and industrial development and the need for achieving a better balance between them.

Thus, within FAO interest in forestry and fisheries is steadily rising. The work of each has been elevated to Department status within the Organization. Both areas offer prospects of developing processing industries and LDC earning and saving of foreign exchange. The IBRD and the IDB have put more emphasis on the development of livestock industries in Latin America and the loans have been concerned with export marketing as well as domestic production and consumption. A relatively new UN agency, the Industrial Development Organization (UNIDO), has responsibility for furthering industrialization in developing countries; and in the agricultural sector, UNIDO collaborates with FAO in supporting programs of agro-industries.<sup>13</sup>

Despite the emphasis on agricultural commercialization and "agricultural systems," a second and somewhat conflicting emphasis on rural development has arisen. The first effort focuses on the productive capability of larger agricultural enterprises with their potential for profits; the second often focuses on smaller farmers and landless rural workers and is concerned with their earnings and equity in the emergent commercial agricultural systems of the LDC's. While increased commercialization in agriculture may also lead to increased benefits for small farmers and rural workers, the record thus far indicates the need for special efforts to reach them.

The multilateral assistance agencies have recently begun to examine the problems of small holders and related equity considerations in their programs. Thus, the President of the World Bank Group, in his address to the Board of Governors on September 25, 1972, made the issue of social equity central to his observations about the development process. He noted that for 40 percent of entire populations, development is "not reaching them in any decisive degree . . . their countries are growing in gross economic terms but their individual lives are stagnating in human terms . . . the miracle of the Green Revolution may have arrived, but for the most part, the poor farmer has not been able to participate in it." In line with this point of view, IBRD has

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<sup>13</sup>Memorandum on FAO/UNIDO Cooperation, submitted to the 59th session, FAO Council, Rome, November 1972.

established a unit concerned with rural development to focus on what the Bank might do to assist small farmers.

FAO, in accordance with resolutions passed in its Conference of November 1969, appointed a commission under a former Colombian president to look into the question of agrarian reform and report back to the Conference in 1971. At that time, the delegates voted to accept the report and recommended further FAO actions to assist countries in their agricultural reform programs. In the UNESCO conference of 1971 a resolution was also passed placing that organization on record as encouraging agricultural reform efforts for member countries in the interest of smaller farmers.

The dual objectives of encouraging the growth of a commercial agriculture and of obtaining greater equity for smaller farmers and landless farmworkers raise policy issues for the multilateral aid organizations and the LDC governments they assist. For the governments concerned there are questions of trade-offs, such as ameliorating current deprivation among the rural poor versus stimulating more production and earnings for the economy generally. For multilateral organizations, similar trade-off questions arise.

Where loans are made to smaller and less viable agricultural enterprises, the international financial agencies also face the problem of maintaining the quality of their loans (from a banking point of view). In designing projects and loans to reach smaller enterprises, there may need to be compromises with overall economic returns and with financial returns to individual entrepreneurs. And such loans may not provide rates of return as high as the international banks have had in the past. Seeking to reach more marginal groups within the economies of the LDC's (like helping the least developed countries) may create more work and higher administrative costs for the financial institution relative to the amount of the loan. Poorer operating ratios and higher operating costs may result. Defaults on loan payments may increase and also add to operating costs. At issue is the question of absorbing these costs within the system of the international financial institutions or passing them on to the countries and agencies receiving the loans, thus adding to the burden of the countries and the projects involved.

## World Agriculture, Population Growth, and the Environment

Rising concern about the environment in the councils and forums of the multilateral assistance agencies is having an impact on their programs for agricultural development. Three aspects of this emergent issue as it pertains to agriculture should be noted: (1) The grim war against hunger persists as the developing countries barely maintain food production at levels to keep up with their burgeoning populations. The drought in 1972 which affected crops in India, the plight of African nations just below the Sahara, as well as the deteriorated situation in Bangladesh, are clear reminders that the outcome of the battle for survival in these countries is still uncertain. (2) As new lands are brought under the plow, natural resources such as soils, forests, and water

supplies for rural areas are being depleted and are upsetting ecological balances. Moreover, in some developing countries urbanization is using more and more cropland, thereby aggravating the problem of feeding urban populations. (3) High-yield technology is dependent on increased use of fertilizers, pesticides, and insecticides, which in turn, may have deleterious side effects on waterways and wildlife.

## Population

The Malthusian specter of population growing more rapidly than the means to sustain it, which cast a shadow over many developing countries in 1965-66, was still a menace in 1972. The fear that food supplies cannot keep pace with growing populations in these countries has been given added dimensions by environmentalists and others concerned with the quality of human life. Hence, there has been a growing concern by organizations in the UN family to organize and stimulate efforts by member governments to acknowledge the problem of unchecked population growth and to undertake specific actions which might arrest the rate of growth. These efforts are of particular concern in those countries where the pressure on the arable land is already severe and the trend lines of food production and population growth portend a grim confrontation in the near future.

A Fund for Population Activities (UNFPA) has been established as the central funding and principal coordinating mechanism for organizations within the UN. UNFPA finances projects related to every aspect of population and family planning activities—demography, education, research, advisory services, and training.

The 26th General Assembly in December 1970 gave added support to the Fund by adopting a resolution that invited governments to make voluntary contributions to the Fund and requested the Secretary General to improve the Fund's administrative machinery in order to accelerate the delivery of population assistance. "In February 1971 the U.S. pledged to match contributions of other donors up to \$15 million toward the 1971 goal of \$25 to \$30 million for the UNFPA. Forty-five other donor countries contributed over \$14.5 million during the year, and the Fund, with the U.S. matching contributions, thus received some \$29 million." (35, p. 91)

The UNFPA allocated over \$30 million for specific projects in 1971, its second full year of operation. This compares with a program level of \$6.7 million in 1970 and reflects the growing worldwide awareness of the need for population planning.

Several organizations in the UN system concerned with food and agriculture have established units to study ways in which their programs might include population considerations. Thus, FAO recently established a population unit in order to better relate some of the Organization's work on supply and demand projections for food. An expanded plan of work on population questions is scheduled for 1973.

IBRD also has established a unit to study ways in which the Bank might appropriately finance activities in the population field. Currently, IBRD is cooperating with UNFPA on a major program in Indonesia; the family planning project is centered on the populous islands of Java and Bali. The World Bank is also cooperating with the Government of Sweden on jointly financing \$21.2 million of a \$31.8 million population project in two States of India. The IBRD and the UNFPA are also collaborating on a new project in Malaysia to expand family planning into rural areas and to improve the effectiveness of its National Family Planning Board.

### UN Conference on the Human Environment

In June 1972, the United Nations convened a conference on human environment in Stockholm. Divergent views as to the most urgent environmental problems were particularly marked between the less developed and the more developed countries. For the LDC's the most serious problem of the human environment was the persistent poverty of so many of their peoples. Moreover, they were concerned that the developed countries' preoccupation with environmental problems arising from industrialization and urbanization would deter efforts to modernize their own economies.

A UN panel of experts noted that environmental problems of developing countries may be categorized as follows: (1) those arising out of poverty (or the inadequacy of development), and (2) those that arise from the process of development itself. The report dealt primarily with environmental problems that might be alleviated by better planning and execution of development programs. In agriculture, the experts noted that traditional systems of agricultural production often were more devastating than modern farm methods on the maintenance of soil productivity and on the ability of increasing populations to make a livelihood from the land. Nevertheless, they cautioned development planners and organizations giving aid to take environmental side effects into account in expanding the use of insecticides and pesticides, in undertaking river basin development projects which change ecological patterns in the region, and in irrigation projects which carry the risk of salinization and waterlogging.<sup>14</sup>

Resolutions passed during the UN Conference in Stockholm bearing on agricultural development include the following:

- Strengthen work on conservation of genetic resources.
- Study environmental aspects of livestock development.
- Conduct studies on integrated pest control and reduction of harmful effects of agro-chemicals.

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<sup>14</sup>“Development and Environment,” a report submitted by a panel of experts convened by the Secretary-General of the UN Conference on the Human Environment, cited in *Development Digest*, Donald, Gordon, ed., April 1972.

- Assess the economic value of wildlife and monitor the effects of pollution on wildlife.
- Conduct research and exchange information on forest fires, pests, and diseases.<sup>15</sup>

At issue in the debates on environmental problems in the developing countries is how external assistance may be allocated and the kind of economies that will emerge in the LDC's. Some environmentalists urge that many LDC's maintain basically agricultural economies organized to meet their food and employment needs and not patterned after the capital-intensive agro-industrial economies of the more developed countries (7, pp. 300-307). Leaders of some of the larger LDC's reject limitations on their development in the name of environmental considerations. They assert that the more developed countries are most responsible for polluting the environment and unduly utilizing world resources, and hence need to exercise the most restraint.<sup>16</sup>

The UN General Assembly, during its 27th session, October 1972, appointed a committee to draft a resolution on the question of institutional and financial arrangements for international environmental cooperation.<sup>17</sup> The United States served on the 11-member drafting committee which recommended, among other things, that the Assembly establish a Governing Council for Environmental Programs composed of 54 members elected by the General Assembly for 3-year terms. The Assembly should set up a small environment secretariat with an Executive Director to be elected by the General Assembly for a 4-year term. The Environmental Council and Secretariat would provide leadership and coordination for the UN's programs and activities bearing on environmental problems. Special consideration is indicated to avoid having environmental considerations or costs inhibit development programs of the LDC's. Reports would be made annually to the General Assembly through the Economic and Social Council. The costs of servicing the Governing Council and providing the small core secretariat would be borne by the regular budget of the UN. On the other hand, costs of operating the program would be covered by an Environmental Fund financed by voluntary contributions. Cooperation with member governments and indigenous nongovernment organizations concerned with problems of environment would be sought.

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<sup>15</sup> Memorandum on "Implications of the Action Plan of the UN Conference on the Human Environment on FAO Programmes," submitted to the Fifty-Ninth Session of the FAO Council, Rome, November 1972.

<sup>16</sup> Statement delivered by the Brazilian representative to Committee II, XXVII Session of the General Assembly on agenda item 47, UN Conference on the Human Environment, Nov. 29, 1971, cited in *Development Digest*, Gordon, Donald, ed., April 1972.

<sup>17</sup> Draft Resolution: Institutional and Financial Arrangements for International Environmental Cooperation, 27th Session, UN General Assembly, Oct. 16, 1972.

The resolutions passed by the Conference, and that of the General Assembly, are likely, at the least, to make development planners at FAO, the UNDP, and the other concerned international organizations evaluate some of their agricultural project requests in terms of environmental impact. The extent to which new action programs are undertaken and to which present agricultural programs are affected will largely depend on the level of funding available to FAO and other international organizations for this purpose.

## Program Coordination and Donor Cooperation

With the increased role of multilateral institutions in providing development assistance, the problem of country coordination has grown more complex and compelling. While ultimate responsibility for country coordination rests with the recipient governments, the international agencies recognize that their available resources can be more usefully deployed if they take some measures to coordinate policies and programs. The principal multilateral assistance agencies have employed various means to coordinate their efforts and to deliver their program resources more effectively. They include:

### Country Programming and Sector Analysis

One way in which IBRD and FAO are seeking to improve deployment of resources for agricultural development is by conducting broad-gauged agricultural sector studies and by relating these to the overall country economy and national development plans. The sector analyses provide a starting point for determining what projects are likely to have the greatest potential for contributing to the country's agricultural development. Hence, these analyses can provide any of the multilateral assistance agencies with appropriate priority projects for their potential support. FAO has also initiated a new program of training in agricultural sector analysis to help officers concerned with development planning make the kinds of economic analyses needed to provide assistance agencies with the requisite information on costs and benefits of alternative projects suggested by overall economic studies.

The UNDP, following recommendations of the Jackson Report and internal reviews, has taken steps to improve its coordinating efforts. The UN General Assembly, in its 25th session, approved proposals for the UNDP to include country programming in its activities in order to link assistance with the objectives of individual country development plans. Country programming for agriculture is carried on under joint UNDP/FAO country representatives who have responsibility for recommending specific development projects for UNDP/FAO approval. Moreover, since the programming activities are placed within the framework of the FAO indicative plan for the country, individual project proposals can be evaluated in terms of their contribution to the country's projected development (33).

Efforts at making country programming a useful tool for coordination and rationalization of external assistance raise several questions: How broad should the scope of programming activities be? Which international aid agencies should be included? Where should programming responsibility be placed—within the UN system or with some *ad hoc* consortium of bilateral and multilateral agencies? The issue transcends programs in the agricultural sector and touches on overall development strategy of a country and the acceptance of that strategy by external assistance organizations. Despite gains in planning competency and increasing sophistication in the uses of development models and computers, relatively few LDC's are prepared to make such comprehensive economic analyses and break them down to project size for possible inputs by the specialized agencies or the United Nations.

### Interagency Coordination

Development assistance agencies are increasing efforts to coordinate their activities on behalf of countries which receive aid from several multilateral and bilateral agencies. The mechanism for such coordination and the agency taking the lead in bringing it about varies with the particular country situation. Consortia have made several attempts to coordinate development assistance activities. The first was the India Consortium sponsored by the World Bank in 1958. Two years later, the Bank sponsored a similar group in Pakistan. Following these examples, the Organization for Economic Cooperation and Development (OECD) organized consortia in Greece and Turkey in 1962.

Fifteen other groups concerned with coordination of multilateral and bilateral aid efforts have been formed. IBRD has sponsored groups in Sri Lanka, Colombia, East Africa, Indonesia, Korea, Malaysia, Morocco, Nigeria, Peru, Sudan, Thailand, and Tunisia. During 1972 the World Bank participated in sessions with some 10 of these countries dealing with development performance and prospects, and external capital requirements. The International Monetary Fund sponsored a group in Ghana and the IDB organized a group for Ecuador.

These efforts at coordination have had mixed results: a number of the groups have ceased to function on a regular basis. According to the OECD, a major problem lies in donor reluctance to endorse country plans and to relate their aid to local priorities (25, 1971, pp. 133-136). Another has been the different interests that each donor country brings to the consortium. These differences, both economic and political, influence the approach each favors and make agreements difficult to achieve.

While the consortia organized by IBRD actually pledge money, consultative groups which make no such commitment might find it easier to reach agreement on the program issues. The Development Assistance Committee of the OECD is a consultative group of donor countries which focuses on problems of particular countries from time to time, but does so without

direct action by either donor or receiver country. Often, however, the OECD reports, consultative groups have lacked some effectiveness because their views were not directly associated with external capital assistance.

The Inter-American Committee on the Alliance for Progress (CIAP) is organized to review country development programs in the American hemisphere. Its reviews are technical and advisory to donor agencies and to development planners in the respective countries and hence carry weight within the Alliance framework. The development agencies—IBRD, IDB, IMF, and USAID—are working together in an interagency group which does preparatory work for the CIAP country reviews. Consultation among the participating agencies are being expanded to include technical assistance (22, 1972, p. 65).

Extensive coordination takes place among multilateral agencies (and with USAID and other major bilateral agencies) on a less formal basis than that of organized consortia or consultative groups or the contractual arrangements such as those between FAO/IBRD and FAO/IDB. For example, IBRD analyses of the economies of borrowing countries, its sector studies, and reports appraising Bank and IDA projects are made available to organizations in the UN family and regional development banks. In turn, papers on country programing prepared by UNDP Resident Representatives are made available to country and regional officers in the international banks as well as appropriate agencies in the UN system.

The issue of coordination among donor agencies has another side. Some developing countries fear that close coordination among the external aid agencies may result in a loss of their freedom to explore alternative financing sources or terms to meet their development needs. Donor countries and those dependent on external assistance hence may view coordination from different perspectives.

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This survey of multilateral assistance reflects not only an increasing flow of resources for agricultural development, but a growing difference between donor and recipient countries toward the role of international agencies in the overall development process of which agriculture is a major part. Some of this difference stems from the change in membership of UN family organizations in the past decade, and the resulting shift in voting power to the less developed countries. The international organizations are seeking to become centers for “harmonizing the actions of nations”; and this process does not always coincide with U.S. views on the objectives sought or the methods of attaining them. From the U.S. point of view, this changing relationship will require somewhat different modalities for its role in the international organizations. Accustomed to successful leadership, the United States may turn more frequently to a role of lesser involvement and of abstaining from voting on important issues. But this reaction, and the failure of the United States to

fully employ its capacities for leadership, may in turn lead to even more diffusion of purpose and greater departures from the U.S. point of view of the priorities to be pursued by the multilateral agencies. If the downward spiral is to be avoided, the United States may need to commit itself to greater rather than less participation in multilateral organizations. (See, for example, (2, 8.)

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